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## South Africa Sets Out Plan For Major Arms Exports

**Mandela Defends Move As 'Nothing Wrong' After UN Ends Embargo**

By Paul Taylor  
*Washington Post Service*

PRETORIA — South Africans announced hopes Thursday for sharp increases in arms exports following the United Nations Security Council vote to lift the embargo on the country's arms trade.

The head of Armscor, the state-run arms industry, predicted Thursday that South African arms exports would more than double this year alone, to about \$500 million in annual sales. He added that long-term survival of his country's arms industry, which flourished under the apartheid-era sanctions but has been contracting since the late 1980s, would be "increasingly driven" by exports.

The prospect of South Africa turning into a major arms supplier in a continent already riven by war and carnage has caused some alarm bells to go off, but the post-apartheid government appears tantalized by the jobs and revenues the exports would generate.

"I don't think it would be fair to say that a particular country should not engage in trade in arms," President Nelson Mandela said on television before the UN action Wednesday. "Arms are for the purpose of defending the sovereignty and integrity of a country. From that angle, there is nothing wrong with having trade in arms."

This week, as the Security Council voted to drop a 17-year-old embargo on arms imports to South Africa and a decade-old ban on arms exports from it, the head of another UN agency scolded industrial nations for arms deals in Africa.

James Gustave Speth, administrator of the UN Development Program, noted that the worldwide annual revenue from arms sales — \$125 billion — was double the level of development assistance — \$60 billion — to poor countries in Africa and elsewhere.

Tjechnie de Waal, executive general manager of Armscor, said South Africa's secretive arms industry already conforms to international standards on not selling arms to governments that suppress their own citizens or otherwise engage in human rights abuses.

He said, for example, that Armscor suspended its shipments to Rwanda last September as the stirrings of civil war became more apparent.

He also noted that Armscor had suspended arms sales to Zaire, widely believed to be supplying the Angolan UNITA rebel movement.

The trouble with such restrictions, analysts say, is that once arms get into the marketplace, they tend to fall into unsavory hands. South Africa knows that as well as any country. Its exceptionally high levels of criminal and political violence have been fueled by the brisk illegal trade in AK-47s and other light arms from neighboring Mozambique, where a 15-year civil war ended in 1992.

When the United Nations slapped its first arms embargo on South Africa in 1977, P.W. Botha, then defense minister, reacted by investing heavily in an already sophisticated domestic arms industry. At the time, South Africa was engaged in destabilizing its neighbors in the so-called front-line states, which opposed its policy of apartheid.

At its peak in the late 1980s, the sanctions-spawned domestic arms industry here employed 150,000 people, and was said to be South Africa's largest exporter of finished manufacturing products. Although all of its dealings were shrouded in secrecy, it was presumed to be supplying such states as Somalia, Libya, Sudan, Ethiopia and Sri Lanka.

Mr. de Waal said the industry now employs just 75,000 people, as a result of a cut in defense capital expenditures over five years. Because South Africa is no longer in conflict with its neighbors, the industry will continue to shrink unless exports can sustain it. Currently, he said, 15,000 defense jobs are export related; an additional 20,000 jobs will be added in this coming year alone.

South Africa is said to be export-competitive in artillery, armored vehicles, mine-clearing vehicles and the Rooivalk helicopter gunship.

Just how aggressively it pursues these sales is a policy matter for the new government. Though Mr. Mandela appeared to give a green light to arms exports this week, he has spoken and written in the past in support of universal disarmament.

Jakkie Clifters, head of an independent military watchdog group, said he believes the hawks have already carried the day.

"There's been a dramatic shift in the African National Congress position in the past year," he said. "Now that they're the government, their attitude toward arms seems to be, 'Let's go for it.' Given economies of scale, it's the only way they can save the defense industry."



AP/Wide World Photos  
FORCE OF ARMS IN BURMA — A young fighter of the opium warlord Khun Sa on guard at a rebel base in Burma's eastern Shan Province. Fighting between the army and the warlord's forces in the last two weeks has claimed more than 100 lives.

## It's True! Hubble Proves Black Holes Are There

By John Noble Wilford  
*New York Times Service*

NEW YORK — The strange and awesome cosmic phenomenon known as a supermassive black hole has moved from the realm of theory to reality with observations announced by astronomers using the Hubble Space Telescope.

A supermassive black hole is a gravitational monster that gobbles up everything around it and is so powerful that no light or matter can escape.

The astronomers reported finding what they said was conclusive evidence for the existence of an extraordinarily powerful black hole in the center of the giant elliptical galaxy M87, which is 50 million light-years away in the constellation Virgo.

This attractive force of collapsed matter weighs as much as 3 billion Suns, but is concentrated in a space no larger than the solar system.

The discovery appeared to lay to rest any remaining skepticism about black holes, predicted by Einstein as part of his

general theory of relativity. Over the last three decades, they were the ultimate goal of astrophysics.

While scientists theorized and searched, the concept became so intriguing and expressive that it crossed into popular culture, and even the term black hole entered everyday language as an all-purpose metaphor.

In their excitement, astronomers were calling the Hubble observations the decisive clue needed to solve the mystery of the tremendous energies and gravitational forces at the core of many galaxies.

They called the M87 black hole the most significant discovery made so far by the Hubble telescope, which had its vision advanced with new optics installed by shuttle astronauts in December.

At a news conference at NASA offices in Washington, Holland Ford, an astronomer at Johns Hopkins University and the Space Telescope Science Institute in Baltimore, said, "This is conclusive evidence of a supermassive black hole."

Observations and calculations of a whirlpool of hot gases near the center of M87 were the basis for the black hole discovery. The gases formed a surprisingly well-ordered disk that stretched across a distance of 500 light-years.

The disk reached within 60 light-years of the galactic nucleus. The energy released by gas falling into the black hole also produces a beam or jet of electrons spiraling outward at nearly the speed of light.

Daniel Weidman, the space agency's director of astrophysics, who had been skeptical of previous evidence regarding black holes, said he was now convinced of their existence. "This is a tremendous breakthrough," he said. "I do believe there is a black hole there."

Tod R. Lauer, an astronomer at Kitt Peak National Observatory in Arizona, whose previous studies of M87 provided strong but not quite conclusive evidence for black holes,

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## Europeans' Security Talks Expose Broad Differences

Compiled by Our Staff From Dispatches

PARIS — Russia, Germany and East European speakers set out divergent views of European security Thursday as they discussed a new plan for preventing conflicts over borders and the rights of minorities.

Foreign Minister Andrei V. Kozyrev of Russia, addressing a two-day, 53-delegation conference on European stability, welcomed a French-conceived blueprint for blocking potential wars over border disputes or minority treatment.

The mechanism calls for elaborating a stability pact for potential European Union candidates within roughly a year. In the meantime, two regional "roundtables" of discussion would be formed, one on the presence of Russian troops in Latvia and Estonia, and Russian speakers in all three Baltic countries, and the other on the large Hungarian minorities in Romania and Slovakia.

But while praising the plan, Mr. Kozyrev also seemed to question the usefulness of the round tables, saying they might duplicate the work of bodies like the Conference on Security and Cooperation in Europe.

Instead, he insisted, the focus should be "to

concentrate on specific steps to improve interethnic relations and to ensure the rights of national minorities."

"This is especially necessary for the three Baltic states, Estonia, Latvia and Lithuania," he added.

He said discussion of border and minority issues "should take place exclusively in the framework established by CSCE documents."

But Foreign Minister Klaus Kinkel of Germany said it was vital that other institutions such as the North Atlantic Treaty Organization or the Western European Union should not be "subordinated" to the Conference on Security and Cooperation in Europe.

Mr. Kozyrev avoided saying whether Moscow would join a regional roundtable with the Baltic states, and Foreign Minister Willy Claes of Belgium said such talks were still "hypothetical."

Instead, Russia proposed setting up a European university in a Baltic state as a way of overcoming ethnic tension in a region where the status of Russian minorities is politically explosive.

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But after railing at Moscow's callousness and Russia's lost dignity, he captured the tough optimism of the place: "I'm upbeat. The geography of Vladivostok allows us to hope it will be a center for business for East Asia and the Pacific Rim."

Founded in 1860 to block China's expansion to the Sea of Japan, Vladivostok (the name means "Possess the East") boomed after the Trans-Siberian Railway linked it with Moscow in 1903. As the home of the Soviet Pacific Fleet, Vladivostok was a closed military camp after World War II. Coddled by subsidies from Moscow and anchored by the navy, military factories and the fishing fleet, the city glided along like some latter-day Rip Van Winkle after 20 years in the West. Here he will have his first glimpse of Russia's kaleidoscopic transition to capitalism in all its raucous, lurid, bohemian colors.

"We're like a decaying organism, beset by parasites," said Yuri Didenko, director of Vladivostok's huge fishing fleet.

Coca-Cola is tripling sales forecasts. U.S. Peace Corps volunteers are offering seminars on commercial banking. Italians are building a new airport, Australians operate the best restaurant in town, and Chinese workmen recently refurbished a 52-story-a-night hotel.

Hundreds of joint ventures with Japanese, South Korean, Chinese and American firms are under way. Flights are planned or already link the city with Alaska and Japan. In a red-brick church atop a hill, an American Roman Catholic priest hears confessions in a room that for decades was a Communist Party archive for top-secret documents.

Signs of new money include stylishly dressed women downtown to swanky new apartment buildings on the outskirts, where luxury duplex condominiums are on sale at \$80 a square foot. Thousands of white Japanese sedans — brought in tax-free by merchant sailors for sale at a quick profit — clog the narrow streets in epic rush hours.

But the city is beset by outsize economic and social problems, more severe than those of most Russian cities. As

subsidies from Moscow dry up, huge defense plants are switching to television sets and automatic bowling pins for Asian markets — but not fast enough to avoid mounting layoffs and unpaid workers.

Alongside the newly rich, a new class of unemployed and impoverished is taking shape. City officials say a third of Vladivostok's 700,000 civilians live below the poverty line. Prices, the highest in Russia, soared last year as annual inflation reached 1,300 percent, nearly half again the national average.

The emerging extremes of wealth and poverty are fueling a wave of crime and corruption, including a murder rate that has quintupled in five years and rivals Washington's.

The authorities are swamped. The Vladivostok police force, which has just two computers, is hiring hundreds of new policemen.

"In the United States, you passed this racketeering stage long ago," said the chief prosecutor, Vyacheslav Yaroshenko. "We're just entering it."

## Vladivostok, Open City Once Again, Is Making Up for Lost Time

By Lee Hockstader  
*Washington Post Service*

VLADIVOSTOK, Russia — Rising on craggy, fog-shrouded hills from Golden Horn Bay, Vladivostok is like a distorted mirror image of Russia itself: distended in its lawlessness, misery and disorientation, but also in its gaudy new wealth and commercial promise.

This is the capital of Russia's rough and ready east, a port city seven time zones and 5,700 miles (9,200 kilometers) from Moscow that has been thoroughly transformed in the two and a half years since the Soviet Union's demise.

It is in Vladivostok, farther east than any major city in mainland Asia, that Alexander Solzhenitsyn will arrive Friday like some latter-day Rip Van Winkle after 20 years in the West. Here he will have his first glimpse of Russia's kaleidoscopic transition to capitalism in all its raucous, lurid, bohemian colors.

"We're like a decaying organism, beset by parasites," said Yuri Didenko, director of Vladivostok's huge fishing fleet.

But after railing at Moscow's callousness and Russia's lost dignity, he captured the tough optimism of the place: "I'm upbeat. The geography of Vladivostok allows us to hope it will be a center for business for East Asia and the Pacific Rim."

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## U.S. Ends Link to Rights, China Keeps Trade Status

**But Clinton Bans Weapons Imports To Keep Some Pressure on Beijing**

By Paul F. Horviz  
*International Herald Tribune*

advanced in the longer term through increased engagement in U.S.-Chinese relations.

He said that at the same time "very significant" U.S. strategic interests would be enhanced. The president said, "I am offering to build the basis for a long-term strategic relationship."

Mr. Clinton said he would work to end the process under which Washington annually scrutinizes human rights and immigration policies in China to determine whether favored trading status should be retained.

"We have reached the end of the usefulness of that policy," the president said.

"I am persuaded that the best path for advancing freedom in China is for the United States to intensify its engagement and compensation for the families whose loved ones were killed or injured in the repression."

The decision to retain China's trade privileges cheered business leaders across the United States and pulled Washington and Beijing back from the brink of a serious trade estrangement that threatened to undermine the two nations' strategic relationship.

But it bitterly disappointed human rights groups and other American political leaders who highlighted social and political conditions in China that they say are repressive.

The announcement came on a day in which the State Department reported progress with

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## Rebels Dare To Challenge Beijing Over 1989 Assault

By Lena H. Sun  
*Washington Post Service*

BEIJING — Five years after the Chinese Army crackdown on pro-democracy demonstrators, seven dissidents publicly petitioned the government Thursday for a reassessment of the 1989 movement and compensation for the families whose loved ones were killed or injured in the repression.

The activists, led by a former student leader, Wang Dan, also called for the release of all prisoners associated with the crackdown on June 4, 1989, and for the government to allow those who have been released from jail to lead normal lives.

The appeal came in a petition to the national legislature that was made available to reporters. It is a direct challenge to the government's characterization of the massive, student-led protests that swept Beijing and spread nationwide as a "counterrevolutionary rebellion."

The document comes a week before the fifth anniversary of the crackdown.

Security has tightened in Beijing. The homes of dissidents and their relatives are being watched, and Mr. Wang and several other activists have left the city to avoid the surveillance.

President Jiang Zemin recently defended the use of force to crush the 1989 protests as the only way to ensure stability and continued economic development. He added that China would not hesitate to use violence again if necessary.

The government has never given a public accounting of the exact number of dead and wounded in the 1989 crackdown. Nor has it said how many people were arrested in connection with the repression.

Several of the activists making the appeal Thursday to the government were on China's most-wanted list of student leaders and have served time in prison for participating in the 1989 movement.

In the document, they said the time had come for the government to "unite the knot in the people's heart."

The 1989 demonstrations, they added, were part of "a nationwide patriotic popular movement" that adhered to the principles of "peace, reason and nonviolence."

"We believe the government's characterization of it as a 'riot and a counterrevolutionary rebellion' is unjust and immediately should be reassessed," the activists wrote.

"We feel that the 'June 4th' incident represents an undeniable 'knot' in the Chinese people's historical development," they added. "Resolving the 'June 4th' problems and untangling this knot in the people's heart will help heal social contradictions and promote social stability."

## Kiosk

### Arafat Delays Trip To Self-Rule Area

YERUSALEM (Reuters) — Israel said Thursday that Yasser Arafat, the PLO chairman, will visit the new Palestinian self-rule enclave of Jericho on June 15.

"We have received an announcement that he has delayed his arrival from June 6 to June 15, and he is authorized to do so," Police Minister Moshe Shahal told Israel Television.

Earlier Thursday, Israel Radio reported that Mr. Arafat would begin a three-day visit on June 12 to the self-rule zones of Jericho and the Gaza Strip, which Israel handed over to Palestinian control this month. But a PLO official said Mr. Arafat postponed the visit to the 15th because of previous commitments.

# Vatican Denies It'll Admit to Turning Its Back on Jews

By Alan Cowell  
New York Times Service

ROME — A German theologian has suggested that Roman Catholics acknowledge co-responsibility and guilt for the Holocaust, but the Vatican said Thursday the idea had no imprimatur from the Holy See.

A document presented Wednesday at a joint Catholic-Jewish meeting in Jerusalem spoke of shared Catholic guilt in the extermination of Jews, stunning Jewish participants at the gathering.

"It's not just important. It's mind-boggling," said Rabbi David Rosen, director of interfaith relations and Vatican relations for the Anti-Defamation League in Jerusalem.

The Vatican said, however, that the document had not been approved by any ecclesiastical authority and was "in no way a projected document of the Holy See."

The document, according to a version of it leaked in Jerusalem, said the Catholic Church "confesses that

she bears co-responsibility for the Shoah and that she has burdened herself with guilt." Shoah is the Hebrew word for the Holocaust.

"A long-standing theology and preaching had soothed the conscience of Christian people and had weakened their ability to resist when in Europe and Germany, the National Socialist anti-Semitism came up with all its brutality and criminal energy," the document said.

The document was sensational because it upended the church's insistence that it acted to resist Nazism and in no way collaborated with it.

It said: "Despite the exemplary behavior of some individuals and groups, we were nevertheless as a whole a church community who kept on living their lives in turning their back too often on the fate of this persecuted Jewish people, who looked too fixedly at the threat to their own institutions and who remained silent about the crimes committed against the Jews and Judaism. This led to the manifold guilt of many Christians and in the church."

The document caused an uproar Thursday in Italy, where many newspapers gave it front-page prominence.

In a series of statements, however, Joaquin Navarro-Salmeron, a Vatican spokesman, insisted that the Jerusalem document was completely separate from a statement in preparation at the Vatican since 1987 on the Church and the Holocaust.

"The document was a project being prepared by the German Bishops' Conference in consultation with the Polish Bishops' Conference," a statement said. "It is clear that it has not been approved by any ecclesiastical authority."

"Of course, it is in no way a projected document of the Holy See," the Vatican said.

Vatican officials said the document — titled "Anti-Semitism and the Church and the Shoah" — had been written and presented to the Jerusalem meeting by a German lay theologian, Hans Hermann Henrix, of the Catholic Theological Institute in Aachen, Germany.

"It has not been approved either by the German or

the Polish bishops' conferences, and it is an initiative of these conferences, not the Vatican," Mr. Navarro-Salmeron said.

Additionally, he said, the Vatican was still working on its own document on anti-Semitism and, after seven years, there was still no indication when the text would be ready for Pope John Paul II's approval.

The Pope, in a hospital where he is recovering from a broken thigh, has led the church in recent years to a rapprochement with Jews. The Vatican has called the Holocaust a "monstrous abyss" and the newest Universal Catechism — the church's textbook of religious education — refers to anti-Semitism as a "crime against humanity."

It was only in 1965, however, that the Vatican abjured the notion of collective Jewish guilt for the crucifixion of Christ.

And it took until December for the Vatican and Israel to finally establish diplomatic relations.

Pope John Paul II took the process of reconciliation a step further last month when the Vatican was host to a concert to commemorate the Holocaust.

## U.S. Deaths Linked To Bacterial Strain

### 450 May Have Died Yearly

Reuters

GENEVA — U.S. officials estimate that up to 450 Americans may have died each year from 1989 to 1991 from a bacterium that has caused a major scare in Britain, the World Health Organization said Thursday.

A spokesman said the figures were provided by the U.S. Centers for Disease Control and Prevention in Atlanta, the main U.S. coordinating body for tracking such infections.

A bacterium that destroys fat, skin and muscle within hours has killed 12 people recently in Britain, and Norwegian doctors say 25 to 30 people have died from it and similar bacteria this year.

A spokesman, Thompson Prentice, said the World Health Organization was in contact with U.S. and British medical authorities to try to improve international monitoring of such diseases.

He said the U.S. Centers for Disease Control estimated that there were 10,000 to 15,000 cases of Group A Streptococcus, the forerunner to the disease that is known as necrotizing fasciitis, in each of the three years from 1989 to 1991.

Of the sufferers from Group A Streptococcus, or GAS, 500 to 1,500 each year developed the virulent strain. That strain has had an average death rate of 30 percent, indicating that 150 to 450 Ameri-

cans died of the disease each year.

In Norway, Dr. Arne Hoeijer, chief physician at the National Institute of Public Health, said 116 cases have been reported this year, and that 25 to 30 people or about one in four who had contracted the disease have died. In the same months of 1993, there were 50 similar cases, he said.

Mr. Prentice said the World Health Organization had found 166 articles in medical publications on outbreaks around the world over the past five years.

It is awaiting news from Britain on whether medical authorities there had evidence that a new strain of the bacteria had caused the latest deaths. "If it is, it has major implications for alerting other countries," Mr. Prentice said.

He added that the scare over the bacteria, which has existed for some time but had largely been unnoticed, illustrated the inadequacy of international monitoring of such diseases.

He said the U.S. Centers for Disease Control estimated that there were 10,000 to 15,000 cases of Group A Streptococcus, the forerunner to the disease that is known as necrotizing fasciitis, in each of the three years from 1989 to 1991.

He said a lack of concrete information worldwide on necrotizing fasciitis was largely due to the fact that it was not a disease requiring notification to health authorities and was not always reported.



The body of the pilot, David Robertson, being carried from the British Airways jetliner after the co-pilot landed it in Tokyo.

## Pilot of a British Jetliner Dies During Flight

Reuters

TOKYO — The pilot of a British Airways jumbo jet died of a heart attack on Thursday while the plane, with 331 people aboard, was over Russian territory on a flight from London to Tokyo's Narita Airport.

The co-pilot made a routine landing at Tokyo's Narita Airport, she added.

She confirmed Japanese Transport Ministry reports that the airliner was at no time in any danger.

"There was never any danger to passengers on the flight," she said. "and in fact the

747-400 jumbo jet, carrying 312 passengers and 19 crew members, was being flown by one of its two co-pilots at the time the pilot died, the spokeswoman said.

The co-pilot made a routine landing at Tokyo's Narita Airport, she added.

She confirmed Japanese Transport Ministry reports that the airliner was at no time in any danger.

"There was never any danger to passengers on the flight," she said. "and in fact the

passengers were unaware that anything had happened."

Japanese news reports said passengers knew someone aboard was ill after an in-flight announcement asked if there was a doctor aboard. They did not learn of the captain's death until reporters questioned them about it upon arrival in Tokyo.

Mr. Robertson was three years away from retirement. All British Airways pilots must retire at 55, the spokeswoman said.

## 22 Years Later, Europe Faces a New Uphill Battle in Norway

By Steve Vogel  
Washington Post Service

OSLO — The last time Norway voted on whether the country should join the European Community parties splintered, towns and even families divided bitterly, and the government collapsed after the proposal was rejected.

That was in 1972. Twenty-two years later, as the country prepares for a referendum on whether to join what is now the European Union, there are predictions that Norway is in for another bruising battle.

"The debate will be at least as tough as it was last time," said Anne Enger Lahnstein, head of the Center Party and leader of the anti-union forces.

Prime Minister Gro Harlem Brundtland, leading the movement for approval, agrees that a long fight looms, but she rejects the notion that Norway faces a repeat of the 1972 political earthquake.

"It will be a different situation," she said, predicting victory during a recent interview.

But Mrs. Brundtland and her supporters have their work cut out for them before the referendum, likely to be in November. Polls show about 50 percent of voters opposed to joining the EU, less than 40 percent in favor and the rest undecided.

Along with Sweden, Finland and Austria, Norway, after resolving a dispute over fishing quotas, reached a

membership accord with the EU in March. But the referendum may prove a bigger hurdle.

Much will depend on what happens in Sweden, likely to vote two weeks earlier. Approval there could influence Norwegians, who fear being isolated from their Nordic neighbors. But polls have shown a small majority of Swedes voters opposed as well.

The strong opposition in Norway may clash with the country's image as good world citizen — a reliable NATO member, perennial contributor to UN peacekeeping missions, and key participant in such efforts as the Israeli-Palestinian peace talks.

History accounts for some of the opposition. Union has long been a dirty word in Norway, which gained independence in 1905 following a succession of unions going back to 1831 — first with Denmark and, beginning in 1814, with Sweden. Moreover, Norway has a small nation's fear — its population is 4.3 million — of being swallowed up in a much larger political entity.

"It's part of a schoolboy's education that it's not good to be part of a union," said an official for a large Oslo corporation. "It's like the U.S. looking down fondly on union with the British."

Mrs. Brundtland contends that enormous changes in Europe as well as Norway's economic ties with the Continent over the last two decades have changed Norwegian attitudes toward the EU.

Norwegian farmers receive enormous support from the government in the form of subsidies and guaran-

tees, and there are fears that cutting these would depopulate the country's vast northern expanse, a sparsely settled region dependent on fishing and farming.

Mrs. Brundtland said subsidies would be cut regardless of membership in the union, but that special EU rules tailored for Norway would protect the livelihood of farmers. But opponents are expressing doubts about this.

Hanging over the debate is concern that Norway will be surrendering sovereignty to bureaucrats in Brussels.

"I don't feel I have much control over our decisions as it is, but at least as a country of 4 million, you have a voice," said Grete Stokka, whose Oslo bookstore sells buttons urging a no vote.

"We think this means too much power in too few hands," Anne Lahnstein said in her office, waving a dog-eared copy of the Maastricht Treaty on European Union. "This union isn't something being demanded by the population; it's being imposed from the top."

Mrs. Brundtland has painstakingly laid the groundwork with study groups and grass-roots organizations. Significant elements of her party are opposed to European union, but unlike 1972, when the party splintered on the issue, agreement has been reached allowing differing views without rancor.

"Nobody's quarreling about the process," she said.

## Talks on Bosnia Said to Focus on a 51-49 Division

Reuters

SARAJEVO, Bosnia-Herzegovina — International mediators ended two days of talks with Bosnia's warring factions on Thursday, with no apparent agreement on the future division of the former Yugoslav republic.

But sources close to the talks in France said leaders of the new Muslim-Croatian federation and rebel Bosnian Serbs agreed to meet again with a contact group from the United States, Russia and the European Union in a week to 10 days.

The sources said the talks, at which the factions did not meet face to face, focused mainly on the division of the territory between the federation and the Serbs, who currently control 70 percent of the territory.

The Croatian news agency HINA reported earlier that the Croats and Muslims had partly accepted a proposal from the mediators that would give them 51 percent.

In a report from the talks at the French lakeside resort of Talloires, the agency said the allies had agreed to give up their opening demand for 58 percent "for the sake of peace."

It said the Croats and Muslims "were ready to compromise and partly accept the 51-49 division" after some new ideas on dividing the territory had been presented by mediators.

Sources close to the negotiations said that during talks with individual delegations on Wednesday, the mediators had presented at least

three slightly different maps for a postwar Bosnia.

While the political leaders were trying to redraw the map of their devastated country, their armies were reported to be battling for territory in northern Bosnia.

UN and Serbian reports said fierce fighting was going on between Muslim-led government troops backed by Croats and rebel Serbs around Tesanj.

On Wednesday, UN officials said Croatian and Muslim forces were pursuing a joint assault for the first time since the two former enemies agreed to form a new federation in February.

Heavy fighting was also reported in the Muslim enclave of Bihać in northwestern Bosnia.

A spokesman for the UN High Commissioner for Refugees, Peter Kessler, said rebel Serbs in Croatia had blocked aid convoys into Bosnia for the 10th day in a row on Thursday.

In the Muslim enclave of Gorazde in eastern Bosnia, Serbian forces continued to defy a NATO exclusion order after the UN commander asked government defenders to withdraw from a contested area to encourage Serbian compliance, a UN spokesman said.

Despite an exclusion zone of three kilometers (two miles) ordered by the United Nations around the town last month after it came under heavy Serbian attack, about 150 Serbian troops remain inside it.

The Serbs and the United Nations signed an agreement last weekend for the withdrawal of the troops, but the Serbs said a few days later that it was invalid because the Muslim-led government army had not signed it.

Cyprus Accepts UN Pact

Reuters

NICOSIA — The Cyprus government will not negotiate further on UN-proposed measures to build confidence between rival communities in the divided island, a spokesman said Thursday.

President Glavkos Clerides has accepted a UN 21 document that proposes steps to boost confidence between the communities, divided since 1974.

Emergency anti-pollution measures in Athens were extended for a second day until Friday. Cars are banned from the city center from 6 A.M. to 6 P.M., and taxis are heavily restricted. Industries have been ordered to cut oil consumption by 30 percent on Friday.

## WORLD BRIEFS

### Manila Captures Most-Wanted Rebel

MANILA (WP) — The Philippine military on Thursday captured the country's most-wanted Communist rebel, the mastermind of a killing squad that has been blamed for the killings of more than 100 officers and local officials, as well as a U.S. Army colonel.

The arrest of Felimon Lagman, 43, appeared to end a year-long hunt for the 26-year-old Communist insurgency that has been wracked by frequent bicker infighting, ideological rifts and the repudiation of basic principles in much of the world.

Mr. Lagman was arrested by naval intelligence agents in the Quezon City district of Manila.

### Yeltsin Harangues His Counterparts

MOSCOW (Reuters) — President Boris N. Yeltsin avoided a press conference Wednesday to work against foreign influence, counterintelligence officers accused foreign spies of leaking commercial secrets.

"There are forces in the world that want to weaken Russia with cheap work force and low intellectual potential," said a former KGB general quoted by news agency quoted Mr. Yeltsin as telling a closed-door meeting of Federal Counterintelligence Service. "Comradeship and trust are clear actions to counter this."

The officials themselves, in a rare publicity campaign, said intelligence services were still operating in post-Cold War Russia. Some secret services "are moving from military to economic," said Vladimir Tschekhanov, the department head, read in an interview with the government newspaper Rossiskaya Gazeta.

### Northern Yemenis Attacks Oil Tanker

ADEN, Yemen (Reuters) — Northern Yemeni pirates seized an oil tanker on two fronts Thursday and seized an oil tanker.

Brigadier General Omar Attas, southern joint chief of staff, said northern troops were pushing into Hadramawt Province, the oil-rich reserves, south from Shabwa Province and east along the desert border with Saudi Arabia. He told the advanced northern forces the southern vice president, Abdel Rahman Jibril.

General Attas predicted that forces of the state that controls northern Yemen last Saturday would "contribute" to the independence of Hadramawt, where the southern leader, Ali Saleh, has been based for more than a week.

However, forces loyal to Yemeni president, Ali Abdullah Saleh, appear to have made substantial gains.

### Syrian Beaten in East German Attack

MAGDEBURG, Germany (Reuters) — A Syrian was beaten to death in an apparently motiveless attack, the police said Thursday, and investigators brought their first charges in connection with a neo



## Singapore Fears a Chinese Upheaval

By Michael Richardson  
*International Herald Tribune*

**SINGAPORE** — Continued U.S. pressure on human rights could contribute to a breakdown of order in China that would drive millions of Chinese to seek refuge overseas, Lee Kuan Yew, Singapore's senior minister, said Thursday.

Reflecting a fear that is shared by virtually all other East Asian countries as China copes with major problems in changing from centrally planned economy to a market-based one, Mr. Lee said that any upheaval in China could result in "at least" 20 million Chinese refugees.

"With the right of emigration a centerpiece of the U.S. human rights movement, this will be an enormous problem for East Asian countries and also for America," Mr. Lee said.

He spoke just hours before President Bill Clinton announced his decision on renewing most-favored-nation trade benefits that allowed China to send more than \$31 billion in exports to the United States in 1993 at the lowest tariffs.

Last June, Mr. Clinton said he would revoke those trade privileges this year unless China made "overall, significant progress" on seven human rights issues, including easing emigration, freeing political prisoners and ending repression in Tibet.

Mr. Lee said it was a bad idea to link human rights and trade issues.

"The best way to improve human rights in China is to open up its economy and therefore its society through investments, trade and tourism," he said.

Mr. Lee said that on the issue of human rights, the influence of Asian, African and Latin American countries would weigh more heavily than the influence of the West.

"U.S. human rights groups can continue publicizing and shaming China for its cruel and repressive treatment of Tibetans, and political dissidents, and all its other failings," he said.

But he added that China would "truly change only when its leaders are convinced that their conduct diminishes them, not with Americans and Europeans whom they consider cultural upstarts, but with other Asians, Africans and Latin Americans, peoples they identify with and want to be a leader of."

Even then, Mr. Lee said, China would "change in its own way."

He warned that if China was "seized by economic, political or social upheavals, the repercussions will be great, affecting all of East Asia and all industrial nations."

Mr. Lee noted that during every major disorder in China in the last 150 years, there were massive outflows of Chinese people into Southeast Asia, the west coasts of the United States

and Canada, and Australia and New Zealand. East Asia also has a strategic stake in ensuring that China cooperates in settling major security problems, such as North Korea's attempts to develop nuclear weapons, Mr. Lee said. The United States shared this interest.

He added that, as the Chinese economy grew in coming decades, Beijing might be able to develop a blue-water fleet to project its power across the oceans.

"Before then, America, Japan and the other countries of East Asia should engage China and help it recognize that any resort to force would alter the trade and investment climate and damage China's growth," Mr. Lee said.

Asked why the United States should commit its military to help maintain a balance of power in the Asia-Pacific region when he and some other Asian leaders said that their countries were incompatible with America, Mr. Lee replied: "We do not say that we are culturally and politically incompatible with America. What we do say is that we cannot be what your human rights groups want us to be, pale copies of America culturally and politically."

Despite objections from Mr. Clinton over Singapore's recent caning of an American teenager, Michael Fay, for vandalism, Mr. Lee indicated that relations with the United States continued to rest solidly on mutual economic and security interests.

## Vietnam and U.S. to Set Up Diplomatic Missions

By George Esper  
*The Associated Press*

**HANOI** — Vietnam and the United States have agreed to establish diplomatic missions, "an important step toward the normalization of relations," the Foreign Ministry announced Thursday.

The agreement comes more than 20 years after the two countries fought each other in a war in which 2 million Vietnamese and nearly 60,000 Americans died.

The Foreign Ministry said in a statement that the U.S. assistant secretary of state for East Asian and Pacific affairs, Winston Lord, and the Vietnamese deputy foreign minister, Le Mai, had "exchanged letters concurring in the establishment of representative offices in their respective capitals."

It did not say when the offices would open, but other officials have said the offices would

open in two to three months. A spokesman said he had no additional details.

Vietnamese officials said the offices would handle trade and business, tourism, culture and help in the fullest possible accounting of the 2,233 Americans still listed as missing in action from the war.

Vietnam lists 300,000 of its soldiers as missing.

The Clinton administration has made the establishment of diplomatic relations contingent on Vietnam providing more information on MIAs and on improving its record on human rights.

In Washington, the State Department spokesman, Mike McCurry, said Thursday that the date for opening the offices will depend on implementation of an agreement to return each other's diplomatic properties. "This office should facilitate progress on all issues of concern, particularly POW-MIA accounting," he said.

Each mission will be staffed by 10 to 20 diplomats and other personnel.

## A Thai Whodunnit: Which Lawmakers Are Accused of Drug Dealings?

By Philip Shonan  
*New York Times Service*

**BANGKOK** — Parliamentary sessions in Thailand have degenerated into a jittery guessing game as lawmakers struggle to figure out who else among them has been labeled a drug dealer by the U.S. government.

One member of Parliament was forced to resign this month after a federal court in California unsealed a 1991 indictment in which he had been charged with smuggling more than 45 tons of marijuana into the United States. His assets in the United States, including a home in Beverly Hills and a Mercedes-Benz, were seized under a court order.

Last week, the U.S. embassy in Bangkok con-

firmed that a second member of the Thai Parliament was refused a visa in March because there was "reason to believe" that he was "involved in illicit narcotics trafficking."

The legislator, Mongkol Chongsuthamane, had appeared on the floor of Parliament in tears to insist that he was not a drug dealer and that he had never been barred from entering the United States.

Thailand is a major international transhipment point for drugs, especially for opium grown in border areas of neighboring Burma.

The involvement of prominent Thai politicians and military commanders in the drug trade has long been known. The U.S. State Department said in a recent annual survey that efforts to

control drug trafficking in Thailand were hindered by "the narcotics involvement of some politicians."

More names are likely to surface soon. According to newspaper accounts in Bangkok, Foreign Minister Prasong Soonsiri told colleagues at a cabinet meeting last week that at least nine other members of Parliament and seven former members — all associated with opposition parties — were suspected by the United States of involvement in narcotics.

His accusations led opposition members to walk out of Parliament in protest. When they returned, they said his assertions were intended to embarrass the opposition, and some lawmak-

ers demanded that the foreign minister resign

ers he made the list of names public.

"All of us politicians have to hide our faces in a bin," said Pairote Suwancharuee, an opposition legislator.

By week's end, the charges had taken a bipartisan tone after news reports linked three other lawmakers to the drug trade. This time the targets are part of the governing coalition and include a deputy minister.

U.S. diplomats said that while they had not presented the government with a list of legislators suspected of drug charges, evidence compiled by prosecutors and drug agents in the United States showed that several are involved.

"And over time, some of that evidence has been passed along to the Thais," a U.S. official said.

Some allegations go beyond lawmakers to their families. Interior Minister Chaovat Yongsaiyachai stepped forward last week to say he might take legal action against politicians who tried to link his wife, a prominent business figure, to a major heroin case in Los Angeles.

Mr. Mongkol, the legislator linked to narcotics trafficking by the embassy, was a close aide to another legislator, Narong Wongwan, who recently became prime minister two years ago but lost his chance after it was disclosed that he, too, had been denied a visa to the United States because of drug allegations.

## Vietnam, Pressured, Frees Political Prisoner

The Associated Press

**HANOI** — A Vietnamese jailed for 16 years after trying to publish newspaper articles critical of the Communists' government has been released and has gone to Australia to join his wife and daughter, Foreign Minister Gareth Evans of Aus-

tralia said.

Quach Vinh Nien is the first known political prisoner to be freed in recent times. His release apparently was a result of Aus-

tralia's intervention.

Mr. Evans said Mr. Nien arrived in Australia on May 11 after being released from prison earlier this year. His wife and daughter are both Australian citizens.

Mr. Nien was arrested in 1978 and sentenced in 1980 to life imprisonment on charges of anti-government activity and disloyalty.

The report said the Cosmos-2281 satellite was launched Wednesday aboard a Tskilon-3 rocket. The satellite failed to reach its orbit.

## Russia Military Satellite Lost a Day After Launch

The Associated Press

**MOSCOW** — A military satellite has been lost, a day after its launch from the Plesetsk Cosmodrome in northeastern Russia, the Itar-Tass news agency reported Thursday.

The report said the Cosmos-2281 satellite was launched Wednesday aboard a Tskilon-3 rocket. The satellite failed to reach its orbit.

in an interview with the newspaper Chosun Ilbo.

Mr. Kunadze, who served as Russian deputy foreign minister before being posted here, said North Korea should abide by all obligations imposed on it as a signatory to an international nuclear safeguards accord.

North Korea, which signed the Nuclear Nonproliferation Treaty

## Envoy Says Russia Doubts North Korea Has Atomic Weapons

The Associated Press

**SEOUL** — The Russian ambassador to South Korea, Georgi F. Kunadze, said in an interview published Thursday that North Korea did not appear to have built any atomic arms, despite U.S. fears to the contrary.

"Russia does not believe that North Korea has developed nuclear weapons," Mr. Kunadze said in

an interview with the newspaper Chosun Ilbo.

Mr. Kunadze, who served as Russian deputy foreign minister before being posted here, said North Korea should abide by all obligations imposed on it as a signatory to an international nuclear safeguards accord.

North Korea, which signed the Nuclear Nonproliferation Treaty

in 1985, announced last year that it was quitting the treaty, but suspended the decision a few months later under pressure. It so far has refused to allow full inspections of its nuclear installations as the treaty requires, raising fears in the West that the North Koreans were secretly building atomic arms.

The North's refusal to allow full inspections has deepened suspicion that the hard-line Marxist state

might be developing nuclear weapons, despite its repeated denials.

In the interview, Mr. Kunadze faulted North Korea for blocking full inspections and said Russia would not provide nuclear technology to the North.

Mr. Kunadze also renewed a Russian proposal to convene a multilateral forum to resolve the dispute.

## BRIDGE

By Alan Truscott

**JERRY GOLDBERG**, Bob Jaffe, Jane Dillenberg, Nancy Kalow and Jeff Rothstein, won by more than 90 mps against a strong group led by Charles Reich of Manhattan in the prestigious Von Zeidtberg Double Knockout Team Championship.

In one room, as shown, North South reached four hearts as a transfer response to one no-trump. This would succeed with normal breaks, but Goldberg as East was happy to double. South had the spade lead with the ace and led to the heart king, confirming his suspicions about the bad split. He then tried the queen and another club, hoping for tricks in that suit. East ruffed and led the spade jack. Rothstein as West overtook with the queen and shifted to the diamond jack. This was ducked to South, who won and led a high club, throwing a diamond from the dummy. East ruffed and led the heart queen, and the closed hand was not useful. South had to lose one more trump trick and two diamond tricks, for a penalty of 800, a heavy punishment for reaching a normal contract.

In the replay Dillenberg opened one club with the South hand, and West tried to take advantage of the

vulnerability by jumping to two spades. Kalow bid three hearts as North, and East tried to apply pressure by bidding four spades. Perhaps he feared an opposing five-club contract, unaware that his partner held length in that suit.

Four spades was doubled and could have been defeated by two tricks after a passive lead. But after the normal lead of the heart king West was able to escape for down one by establishing a heart trick in the East hand. The result was a gain of 14 mps to the Goldberg team en route to victory.

**NORTH**  
♦ 7-3  
△ A K 10 7 2  
○ Q 8 4 3  
◆ Q 6

**WEST**  
♦ K Q 8 5 2  
○ J 9 5  
◆ J 8 4 2  
◆ 10

**EAST**  
♦ J 9 6 4  
○ Q 9 8 5  
◆ A 1 8  
◆ 10

**SOUTH (D)**  
♦ A 8 4 3  
○ K 7 2  
◆ A K J 8 3

North and South were vulnerable.

The bidding:  
South: West: North: East:  
1 N.T.: Pass: 2: Pass  
2: Pass: 3 N.T.: Pass  
3 V: Pass: Pass: Dbl.  
Pass: Pass: Pass: Dbl.

West led the spade six.

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## In Sicily, a Liberation Chapter the Allies Won't Note

By John Tagliabue

New York Times Service

VILLALBA, Sicily — Biagio Plumeri sits at the desk of the man a lot of people around here regard as a key to the Allies' speedy occupation of Sicily in World War II.

Mr. Plumeri, 55, a tomato farmer who has been part-time mayor on and off since 1967, is not much troubled that President Bill Clinton will not stop at Villalba in June when he visits Italy to help celebrate the 50th anniversary of the liberation of Rome by Allied forces.

Mr. Clinton, who will attend the D-Day commemorations in France, plans to visit Anzio and Normandy, the beaches between Naples and Rome where Allied forces came ashore on the Italian mainland in January 1944.

But the Allies actually stepped into Europe six months earlier, on July 9-10, 1943, when American soldiers of General George Patton's 7th Army and British troops of General Sir Bernard Montgomery's 8th Army made amphibious landings from North Africa along the beaches of Sicily's southern coast. A month later, the island was in Allied control.

"We don't really mark the day," Mr. Plumeri admitted.

The mayor has other problems. His town of 2,300 is nearly bankrupt; tomatoes have replaced lentils as the stock crop of this hardy farming community in

the lush garden that is central Sicily, but the change-over is an uphill struggle, and there are the preparations for the annual Feast of the Tomato, celebrated in August.

Villalba's moment of glory came in 1943 because one of Mr. Plumeri's predecessors, a prosperous local farmer named Calogero Vizzini, known locally as Don Calo, Mussolini's Fascists hated him; the American invaders named him mayor, and most people around here say he was considerably more than just a footnote in the history of the invasion.

"They came up Route 121 from Caltanissetta, armored vehicles, jeeps," Mr. Plumeri recounted, mixing childhood memories with what older folks had told him about that sunny day. "One tank was hit near the turnout when the Germans took them under fire, and a soldier died."

"One guy took a white sheet and fixed it to a pole, and we all walked out, even us little kids, like a parade," he recalled. "They only stayed 24 hours, and then pushed on to Palermo. But they named Don Calo mayor."

Don Calo, he said, had established his fortune in the town in 1922, before the Fascists came to power, when he led dispossessed peasants who grabbed land from the aristocratic absentee landlords.

Every peasant got a plot, he said, but Don Calo, with characteristic foresight, kept more than 12,000 acres (4,800 hectares) for himself. Among

those who remember, sitting in the sun on benches around the town's main piazza and dressed in the customary soft peaked caps, oral history is at best an inexact science.

But Don Calo is recalled as a kind of Gandhi, a St. Francis in baggy high-rise trousers and suspenders.

"Don Calo was a magnanimous person, a good man but vindictive, despite the many outrages committed," said Giuseppe Selvaggio, 72, who was his Italian Army unit in Rome at the twilight of the war and walked 40 days home to Sicily.

For decades after the war, Villalba's politics were rock-solid Christian Democratic, though in the last elections the majority voted for Silvio Berlusconi, the magnate-turned-politician who is prime minister of a rightist coalition that includes neofascists for the first time since the war. But no one ever much liked the Fascists around Villalba.

Salvatore Sterza, a 70-year-old war veteran, earned general consent of his listeners when he observed: "The laws Mussolini made were good. But it was the local Fascists who were bad."

When Don Calo died in 1947, a death notice lauded him: "He received from friends and foes alike, that most beautiful of all tributes: He was a gentleman."

Indeed, dozens of anti-Fascists like Don Calo were named mayors when the Americans arrived in

Sicily, including Don Calo's friend Giuseppe Genco Russo, who was appointed mayor over in Musso, a nearby farming village.

But in 1974, an Italian parliamentary commission investigating the resurgence of organized crime concluded that at the time of his appointment during the American 7th Army's one-day visit to Villalba, Don Calo had probably been the boss of all bosses of the Mafia. Genco Russo, who later succeeded him, was at the time his No. 2.

When the black market sprouted in postwar economic confusion, the commission report said, Don Calo's men ran it.

When the Communists held a rally in Villalba in September 1944 that ended in a shoot-out and the flight of the local Communist leader, it was Don Calo who probably sent in the gunmen, the report said.

Not that any of this escaped notice of the Allied occupiers.

In his book, "Crime in America," Senator Estes Kefauver wrote how in the course of investigating organized crime in the United States, he found indications that American intelligence agencies used Mafiosi to contact anti-Fascist figures in Sicily before the invasion. That could explain why Sicily fell rather quickly.

## HOLE: Conclusive Proof Found

Continued from Page 1

of X-rays and other radiations. They were, it appeared, being sucked in by the black hole's gravitational pull.

Mr. Lauer reported in 1992 that the increase of starlight toward the center of M87 was strong circumstantial evidence of a black hole. He conceded, though, that absolute proof would have to await the Hubble repairs.

Then it would be possible to get observations of the starlight and swirling gases even closer to the galactic nucleus, which would be sufficiently detailed so that their orbital velocities could be measured. The matter should accelerate almost to the speed of light as it falls in toward the core, if it is filled with a supermassive black hole, he said.

The space telescope's faint-object spectrograph measured the velocity of the disk's gases by observing the difference in wavelength of the former between the spectrum of light emitted. The existence of small black holes, gravitational pits with masses no greater than two or three collapsed Suns, was recently established. Other galaxies with active cores, like the one at M87, were assumed to harbor black holes.

Conditions at the nucleus of the Milky Way, the galaxy that includes the solar system, are much quieter, scientists say, and so it is not clear if it also has a black hole. Still, the actual discovery was reassuring to the theorists because it seemed to rule out any conceivable alternative explanations for the observed phenomenon, like extremely dense clusters of ordinary stars.

Richard Harms, vice president of Applied Research Corp. in Lanham, Maryland, one of the Hubbell's central object needed to keep the disk spinning so fast without its flying off in all directions.

They estimated that the mass at the core must be equivalent to that of 2 billion Suns, perhaps 3 billion. Nothing of that magnitude could be explained by ordinary phenomena, the scientists concluded, only by a black hole.

The astronomers plan further observations of M87, trying to get closer to the galactic center to see if, as expected, the velocities would continue to increase. The new measurements, Mr. Ford said, "would absolutely nail it down."

## CHINA: Clinton Ends Rights Link

Continued from Page 1

were caring for more than 300 wounded but that the staff had spent five hours in shelters the day before as shrapnel came through the roof.

He said 40 Rwandan staff members had fled in fear and that at one point, mortar fire was so heavy that doctors were unable to reach 20 people who had gathered outside the hospital for treatment.

The Red Cross hospital is the only working medical center in Kigali. Mr. Sundin said the main Kigali hospital had been abandoned by its staff several days ago, after mortars killed 30 patients. Although the Red Cross has not been able to visit the hospital, Mr. Sundin thinks there are as many as 2,000 patients who have been abandoned there.

Now they have access to fewer than 3,000, and relief workers, unable to get to their food warehouses on the front lines, have been able to distribute only high-protein biscuits.

Only a couple of UN cargo flights have been able to land at the airport in recent days, and UN troops have not been resupplied for several days, said Roger Carter of Unicef, part of a three-member UN relief team in Kigali that just arrived in Nairobi.

The United Nations estimates that there are 50,000 to 70,000 people still in the capital. In the past few weeks, the United Nations has been able to reach only about 12,500 Rwandans hiding in churches, hotels, orphanages and stadiums there.

Though most of the government-controlled territory is inaccessible to the United Nations or relief workers, officials think the massacres have slowed, and fewer bodies have been seen floating down rivers. But as the two armies battle for the capital, hundreds have been wounded, and tens of thousands of Rwandans, many of them Tutsis stranded throughout the country, are still at risk from the Rwandan military.

Although the army retrenched to strongholds in the hills outside Kigali, it is unclear whether the city is ready to fall into rebel hands. The army appears to have a vast supply of weapons and is well deployed. It does, however, have a limited supply of food.

Relief agencies have about 10,000 metric tons of corn, beans and oil in seven warehouses on the city's front lines, and while they have been inaccessible for more than 10 days and have probably been looted, Mr. Carter said.

Many of those in need of food and water are women and children. More than 500 orphans, mostly under age 10, have not been resupplied with food in over a week. More than 200,000 people are in need of food assistance on the outskirts of the capital.

Mr. Carter said there was only one doctor, a Ghanaian peacekeeper, at the airport.

**CEASE-FIRE TALKS PLANNED**

A UN envoy ended talks with Rwandan rebels on Thursday, saying the guerrillas had agreed to meet the government army to discuss a cease-fire plan, Reuters reported from Byumba, Rwanda.

Iqbal Riza, a UN special envoy, emerged from talks with General Paul Kagame of the Rwanda Patriotic Front and said: "We had very useful discussions with General Kagame, and we agreed that the two military sides should meet in Kigali on Monday and work out a process towards a cease-fire."

UN officers have cast doubt on the sincerity of the Rwanda Patriotic Front's agreement to seek a cease-fire given its continuing assault on the capital, Kigali, where they seem to be getting the upper hand in weeks of fighting.

## Senior Iraqi Envoy Fighting in Rwanda Hampers UN Aid

### Is Expelled by U.S.

#### Activities Violated Accord

By Thomas W. Lippman

Washington Post Service

WASHINGTON — Iraq's senior diplomat in Washington has been expelled from the United States for repeated violations of the agreement that allows Iraq to maintain a diplomatic presence here, according to State Department officials.

The diplomat, Adnan Malik in Washington but has not done so.

#### Payments to War Victims

A special United Nations body on Thursday approved first compensation payments, totaling \$2.7 million, to victims of Iraq's occupation of Kuwait in 1990-91, Reuters reported from Geneva.

Carlos Alzamora, executive secretary of the UN compensation commission, said the awards would go to 670 individuals or families in 16 countries who made claims for personal injuries or death of close relatives.

"This is a first step that should restore the faith of the millions around the world who are waiting for their turn to be compensated," Mr. Alzamora said.

He said the total payment, the bulk of which would go from the compensation fund administered by the commission to claimants in Kuwait and Jordan as well as Sri Lanka and Britain, would be made through governments in the next two weeks.

The fund is drawing on money from Iraqi assets abroad that were frozen after Baghdad's forces invaded Kuwait in August 1990, as well as voluntary contributions from donors, including Saudi Arabia and the United States.

But Mr. Alzamora said that meeting the first installments of the next two categories of claims later this year would require "around \$150 million that the compensation fund does not currently possess."



Prime Minister-designate Faustin Twagiramungu of Rwanda in Paris on Thursday. He assailed the United Nations for not acting.

## EUROPE: Divergent Security Views Mark Meeting

Continued from Page 1

their participation," said the Hungarian foreign minister, Geza Jenzay.

Some East European officials criticized the Paris conference as patronizing and even potentially dangerous, since it could exacerbate nationalist politics in their countries. Other officials, even in Western Europe, privately called it hollow.

No agreement affecting the position of minorities can be reached without consulting them or without

Karl Schwarzenberg, chief aide to President Vaclav Havel of the Czech Republic, pointed to the EU's own problems in an interview with the French daily Le Figaro, saying: "Can you imagine a roundtable organized in the French Basque country to discuss the Basque and Irish problems of France, Spain, Ireland and Britain under the benevolent eye of the Czechs and the Americans? No."

The stability pact is the brainchild of the French prime minister, Edouard Balladur, but has been embraced by the EU as part of its common foreign policy. The conference at the headquarters here of the United Nations Educational, Scientific and Cultural Organization left aside conflicts in Bosnia and the Caucasus.

Under a peace agreement signed in Moscow on May 14, the central Georgian government and the Abkhazian separatists have accepted a cease-fire, the separation of their forces and the return of many of the 200,000 or more refugees forced from their homes by the civil war.

The Security Council is unlikely to "approve" or even "authorize" the CIS operation, however.

Separately, in a further sign of the European Union looking east, Mr. Balladur and Chancellor Helmut Kohl of Germany proposed that potential EU members in Eastern Europe be invited to attend Union summits. The proposal was made in a joint opinion column Thursday in the daily Le Monde.

—AP/T. Reuters

## Russia Asks UN to Back Move in Georgia

By Paul Lewis

New York Times Service

UNITED NATIONS, New York — Senior Russian officials said Thursday that Moscow wants Security Council permission to quickly deploy a peacekeeping force of several thousand troops from Russia and other members of the Commonwealth of Independent States for a period of up to six months in Georgia. They would reinforce a fragile cease-fire there and oversee the return of thousands of refugees from the civil war in Georgia.

As a result of the Russian request, made to a meeting of a group

known as the Friends of Georgia, which consists of representatives of Russia, Britain, France, Germany and the United States, diplomats say the council is likely to give its cautious assent to the operation next week.

Although the Russian team, led by Deputy Foreign Minister Boris Pasukhov and Colonel General Georgi Kondrat'yev of the Defense Ministry, gave no date for the deployment, Western diplomats formed the impression that they want to send in the troops in June.

The plan for a CIS peacekeeping force in Georgia, expected to be predominately Russian, bas

to raise from 22 to around 200 the number of UN military observers deployed in Georgia and its breakaway province of Abkhazia and instruct them to monitor both the peace plan and the behavior of CIS forces stationed there.

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The Security Council is unlikely to "approve" or even "authorize" the CIS operation, however.

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# International Herald Tribune

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## U.S.-Japanese Fudge

The trade agreement announced this week by President Bill Clinton and Prime Minister Tsutomu Hata does not obligate Japan to stimulate its economy so as to absorb more imports, or open up markets or settle any other dispute. But it does get trade talks back on track — a welcome reversal after the breakdown in February. Talks should relieve the friction that has focused undue attention on a secondary issue — the \$50 billion bilateral trade imbalance — that drives these allies apart, rather than on Mr. Hata's stalled agenda of political and economic reforms that can pull them together.

Although Japan's overall trade surplus results from its high savings rate, the imbalance with the United States is in part because of barriers that shut out U.S. exports and investment. Most economists agree that the bar to the U.S. economy is small. But Japan's practices undermine confidence in trade rules and, most important for Mr. Clinton and Congress, hurt powerful constituents — like Motorola in the cellular phone market.

U.S. officials say Japan has pledged to negotiate higher foreign penetration in five

specific sectors and use quantitative criteria to measure success. Japan won a pledge that the United States would not seek numerical targets. Exactly what these pledges mean is unclear. "Numerical targets," for example, is not defined. Washington uses the term to refer only to targets that would set market shares for foreign goods; that leaves the United States free to demand other types of numerical benchmarks, such as the number of Japanese automobile dealers that sell foreign cars.

The danger is that this type of ambiguity, as so often in the past, will trigger mutual animosity as each country accuses the other of failing to live up to its promises. But both leaders have resolution. Mr. Clinton wants to reassure anxious currency traders that he can settle trade disputes with Japan without driving the dollar to lower levels; Mr. Hata needs to prove at home that his fragile coalition can govern. They have good reason to hammer out a series of accords that will give exporters a fair shot at Japanese consumers and thereby end spats over the bilateral trade deficit.

— THE NEW YORK TIMES.

## Health Care, Budget Care

Congress went home on Thursday still trying to figure out how, if at all, to restructure the health care system. With regard to at least one aspect of the problem, cost containment, our own sense is that it has no choice. It has to act somehow; the government cannot afford the system as it stands. No payer can.

Some members of Congress have said in the past that the way to counter health care costs — the federal share, at any rate — would be to impose an entitlement cap. The cap would force the necessary cuts, if not in health care, then in other entitlement programs to make room for health care. The Washington Post has been among those opposed to a cap on grounds that it would be a cop-out — another broad promise to achieve great savings by cutting specific programs in the future instead of cutting them up front. But if Congress fails to provide for such cuts up front when given the chance, if it fails to enact a credible health care cost containment mechanism — well, what is left but an entitlement cap? The cap becomes harder to resist.

There is already a cap on the third of the budget subject to the appropriations process. It is a crude device, but it is working pretty well, forcing the administration and Congress to make choices they would otherwise flee. Cappers say there needs to be a similar ceiling on the entitlements side of the budget, or else the deficit, so painfully reduced last year, will soon start to rise again.

It's not that Congress won't do the right thing, which is to face up to health care costs directly, then maybe it ought to put a gun to its head in the form of an entitlement cap. The health care problem is also a budget problem. Unless you solve the problem of health care costs, you cannot provide even the health care the country needs. The members need to think about that amid the swirl of pressures back home.

— THE WASHINGTON POST.

## Blowing a Smoke Screen

Americans generally think it unsporting to kick an opponent who is down. But the sellers of cigarettes, given their history of arrogance and mendacity, provide a target too tempting and deserving, to resist. So here is a cheer for the state of Mississippi, which is suing 13 cigarette manufacturers for the cost of medical programs that support victims of smoking-related illnesses.

The tobacco industry, a resourceful opponent, is of course hitting back — with a libel suit here, a ballot initiative there and, all America, an advertising campaign disputing government claims that secondhand smoke is a health hazard. The campaign started this week, just 10 or so days after the House Subcommittee on Health and the Environment approved the Smoke-Free Environment Act to protect Americans from secondhand smoke. The bill, which requires smoke-free spaces in virtually all nonresidential buildings, has a long way to go before it becomes a law. Neither is it perfect: restaurants and prisons, for example, are excluded from its provisions. Still, it marks the first time in 10 years that the subcommittee has succeeded in passing significant anti-smoking legislation. Such legislation is not needed, if one be-

lieves the industry's advertising campaign, which relies on a methodology — cigarette equivalence — rejected by both the U.S. surgeon general and the Environmental Protection Agency. For example, the ad contends that a nonsmoker sharing an office for a whole month with a smoker would, on average, be exposed to secondhand smoke equivalent to smoking only about one and a quarter cigarettes. That may be true if one looks only at nicotine, as the ad's sponsors did, because nicotine is rapidly depleted from the air. But if one looks at other compounds (there are thousands of chemicals in cigarette smoke, many of them dangerous carcinogens), the cigarette equivalent measures are hundreds of times higher.

The Smoke-Free Environment Act is clearly needed if one believes instead the EPA, the Centers for Disease Control, the American Medical Association and every independent health organization that has analyzed the issue and decided that secondhand smoke is responsible for thousands of deaths every year. Weigh that evidence, and it is fair to conclude that once again the tobacco industry is blowing smoke in America's eyes.

— THE NEW YORK TIMES.

## Other Comment

### Rwanda: The Strong Must Help

We thought we had seen all the barbarity of this terrible century, but the genocide in Rwanda has touched the deepest abyss of cruelty. About half the Tutsi population has been massacred, cut to pieces, myriad horrendous homicides perpetrated by bloodthirsty bands. The conflict that incited these horrors isn't political, ideological or religious, but ethnic. The roots are in the secular domination of the minority Tutsis over the majority Hutus.

Why bawl over the neighboring African countries, African political organizations, the Non-Aligned Treaty Organization and the great powers of the world put an end to the massacre? We can't passively allow the primitive cruelty of the Rwanda conflict, as well as other conflicts elsewhere, to become the model for society.

Responsibility lies above all with those countries that have the greatest resources, wealth and military power.

— Corriere della Sera (Milan).

It must be a mark of the Clinton administration's political immaturity that the United States should choose the present moment to try to get the stalled economic framework talks with Japan going again. Washington is demonstrating yet again that its foreign policy is driven by economics only.

Prime Minister Tsutomu Hata's hold on power is so tenuous that any agreement reached between Japan and the United States is unlikely to be worth the paper it is written on, unless explicitly underwritten by all political parties in Japan. Yet the Liberal Democrats and others jockeying for power will wish to keep their future policy options open.

In the absence of a strong government in Japan, United States trade negotiators are, ironically, having to deal with the very bureaucrats who could thwart the economic deregulation process needed to enter a framework agreement.

— The Business Times (Singapore).

## D-Day + 50 Minus Germans and Russians

By Susan Eisenhower

**WASHINGTON** — An officer in Her Majesty's armed forces was recently heard to quip that the Allies would not have invaded Normandy if they had known how difficult it would be to commemorate it. Fifty years after the historic invasion of France by the Allied Expeditionary Forces, a high-visibility program has been planned, but the scheduled events have caused more than a little consternation.

Germany and Russia are offended that they have been excluded, and President Bill Clinton, who has no wartime experience, is calling in consultants to come up with an appropriate theme. Finding the right message will be difficult, because a decision was made to mark this historic event in the traditional way — which seems not only outdated but wholly inadequate in today's international environment.

The world is a very different place 50 years later. The Germans, the evil-incarnate enemy, are now a united, democratic country, an important U.S. ally and the linchpin of stability in Europe. And one of the critical players on the allied side no longer exists. The Soviet Union, which heroically beat back Nazi attempts to conquer it, has splintered into a mostly non-Communist multi-country region.

Rather than deal with these new complicating factors, the French, hosts of the D-Day events, adopted a formula that accomplishes no particular objective. It does not place essential focus on the veterans, who are bound to be overshadowed by too many politicians, nor does it give the participating heads of state an opportunity to draw on D-Day's contemporary meaning.

Finding a way to reconcile wartime commemo-

rations when the enemy is now your ally has been a problem for some time. Ronald Reagan used the 40th anniversary for great rhetorical benefit, but then felt he had to "make it up" to the Germans. After D-Day plus 40 (and Bitburg), Western diplomats apparently promised the Germans that they would be included on the 50th.

Of the nine heads of state whom the French have invited, it is known that Germany and Russia are not among them. This is unfortunate. If any heads of state were going to participate, inclusion should have been the order of the day.

The reason for it is simple: Who the protagonists were in 1944 is not nearly as important or relevant as the nature of the struggle itself. The "great crusade," as Dwight Eisenhower, my grandfather, called it, was assembled to defeat fascism. This was successfully done, and Germany went through the painful process of de-Nazification. Reneging on our earlier promise were in 1944 is not so nearly as important or relevant as the nature of the struggle itself.

The decision to exclude also constitutes the loss of a real opportunity. Many contemporary Germans regard the allied victory as the "liberation" of their country from the fascist grip, and they express gratitude that history turned out as it did. The German presence on the Normandy beaches for the 50th would have given legitimacy to that feeling in Germany, and emphasized Bonn's own commitment to keeping fascism from ever dominating political life again.

It was also wrong not to extend an invitation

to the Russians, and perhaps other countries of the former Soviet Union. Failing to do so symbolically decouples the Eastern and Western fronts, and ignores the impact that the Soviet effort had on the success of D-Day.

Failing to invite the former Soviets has given credence to those in the East who say the West never appreciated their role in defeating Hitler. Such an omission also deepens the sense of isolation that is now widely felt all over the region.

Although Americans tend to play down the importance of symbolism, it is a highly potent force in many other countries around the world. It is intriguing, for instance, that on V-E Day plus 10 years, Germany became a full member of NATO. The dates agreed upon by the United States and its allies must have been a clearly calculated effort to demonstrate Germany's rebirth as a member of the international community.

As in so many other instances, the world waits for U.S. leadership. Washington should have insisted on complete inclusion as a precondition for presidential participation. If not, the commemoration should have remained a veterans' affair.

The presence of Germany and Russia would have helped to heal the wounds that remain. It would also have underscored that those allies who fought not only won the war against fascism. Their ultimate sacrifice paved the way for a new Europe of peaceful democratic countries.

The writer is chairman of the Center for Post-Soviet Studies in Chevy Chase, Maryland, and will be in Normandy on D-Day with ABC. She contributed this comment to The Washington Post.

## It's Broke, So Get Busy Fixing It

By Flora Lewis

**PARIS** — Americans say, "If it ain't broke, don't fix it." The obverse has equal weight. If it needs fixing and you haven't succeeded, look more closely at the problem, take another approach, and try again.

Go after problems which won't yield to the usual solutions with some imagination and a shift of mental gears, but don't give up.

The cranky, querulous world faces cases of both kinds just now.

South Africa and Israel-Palestine have started to fix themselves, at long last. People didn't suddenly change their nature and turn sweet-tempered. But their leaders finally came to see that endless conflict meant endless human cost and settled nothing. Only compromise could offer a new start.

So far, South Africa, with miraculously clear-minded, rational leaders, is moving smoothly. Nobody knows how long Nelson Mandela will be able to win acceptance from his people that their urgent needs cannot be met by ruffling the economy apart, only by broadening and strengthening it. But he is starting well. He is a realist, as well as a humanist.

Things are rockier in Israel-Palestine. Prime Minister Yitzhak Rabin and Chairman Yasser Arafat know that their personal fate is committed to making their agreement work, but they are not helping each other. They are scoring small points, each proving that he cannot be nudged or outplayed.

It is in Mr. Rabin's interest, as much as Mr. Arafat's, to show that the PLO can deliver functioning civil government in Jericho and Gaza, and move on to early elections in all the occupied territories. The United States and Europe have pledged a lot of money to help make the Palestinian areas viable. It should start flowing now. Waiting until there is a solid administration would be self-defeating.

But in other parts of the world, fixing hasn't even begun beyond empty, often misleading gestures. There should be no pretense that there are just a few overwhelming trouble spots. When Zaïre, with 40 million people, blows, Somalia and Rwanda are likely to fade in memory as relatively minor tragedies. Yet Zaïre, too, has reached the category of a totally failed state, one that the United States and some West European countries have a major responsibility for helping slide to disaster.

The idea that Haiti can be fixed by more sanctions on its already desperate, beleaguered people is too weird for Alice in Wonderland. As for the idea of invasion, the U.S. Marines had nearly 20 years (1915 to 1934) ostensibly trying to "fix" Haiti. Not only Haitians, but the whole of Latin America could be expected to rise in outrage if they tried again.

Algeria is on the brink of a particularly nasty civil war that would have reverberations throughout the Islamic world. France and its European neighbors have even more reason to fear an overwhelming torrent of refugees from across the Mediterranean. What could be grave trouble, with implications for the future of Russia, is brewing between Moscow and Kiev over Crimea. Not everything gets on the nightly television news. There isn't time, and there aren't enough camera crews to report it all. And then there is Bosnia.

These are only current urgencies that leaders have to decide about quickly, nothing to do with the long-term issues like the global agenda — population, environment, development and so on. There is neither a general guide for how to sort them out, nor the luxury of ignoring them to adopt a specific pet cause.

Perhaps it is time for another "X" overview. I refer to the famous article that George Kennan signed anonymously, recommending "containment" as the way to deal with Soviet expansionism — neither passive indifference nor preventive war. His secretary of state, George Marshall, grasped the meaning, and with Harry Truman put the policy into effect.

Another kind of containment is needed now, recognizing that we can't repair everything but can't stand aside with meaningless blinks. Washington must discern what America can do, explain it to people, and mobilize their energies. For that it needs an activist secretary of state to articulate basic policy to Congress and the public. There are several attractive candidates.

From all parts of the world now, the chorus of complaints is swelling about the "lack of consistency, cohesion and effectiveness" in U.S. policy, as an Australian diplomat wrote on this page on Wednesday. They are saying it is broke, try to fix it.

© Flora Lewis

## Human Rights a Trade Issue?

By Stanley A. Weiss

**LONDON** — According to China's finance minister, when it comes to human rights violations, including "arbitrary arrest and detention, systematic torture, lack of a fair trial" and the absence of the freedoms of speech, press and association.

In the case of Taiwan manufacturers, some vertical integration has taken place. For some small component suppliers, who are so important to Taiwan's industrial capability, a move to the mainland along with end-product producers has attractions of language and culture not available in alternative locations such as Thailand or Indonesia. There is the hope, too, of eventual access to China's domestic market. But outside the real estate sector there is still scant evidence of long-term money being invested on the mainland.

There is plenty of talk but little action. Uncertainties range from personal security to political stability to tax policies and fears of difficulty in repatriating. From the Chinese side, allowing foreign investors access to domestic markets would be countercurrent if the foreign reaped huge profits because of China's high import barrier.

The past three years have seen a big flow of Taiwan money to the mainland, but it is no bigger than an earlier outflow from Taiwan that went mostly to Southeast Asia. Non-mainland locations ranging from Vietnam to Hong Kong to Mexico and Hungary may see the next wave of Taiwan money.

In any case, the rate of outflow will slow. Many of the most labor-intensive industries have already left, and Taiwan's capital surplus has shrunk to almost nothing. European and North American barriers against Chinese products will also deter reliance on China as a production center.

And the seven states on the official terrorist list, only those same two do not have ready access to the American market. Some of the seven are entitled to most-favored status because they are GATT members. For others the reasons are related to

geopolitics and national security.

**TOKYO** — According to China's finance minister, when it comes to human rights violations, including "arbitrary arrest and detention, systematic torture, lack of a fair trial" and the absence of the freedoms of speech, press and association.

Those historians are right when they warn of the encroachment of any commercial enterprise on park lands set aside for reverential study of past wars, on the limited ground of protecting historic sites.

But they are intellectually arrogant when trying to block the construction of a commercial project on the grounds that it might misinterpret the past.

I thought Oliver Stone, the film director, was wildly kooky in his film about JFK, claiming that the entire government was involved in a vast conspiracy. I thought he was wrong — worse than wrong, vulgar — when dealing with anything as sacrosanct as American history.

My colleague Russell Baker criticized the growing success of theme parks with his "theme family" living artificial lives in a theme town, all nice and fake. My colleague Frank Rich dissected the "larger struggle between theme park and America" and argued that it was a "force for the diminution or elimination of barriers erected by government against the uncontrolled exercise of individual and institutional avarice."

Hold on. Historians fear that the theme-parkers, as they move past Fantasyland and into the real past, will deliberately falsify history. The professional historians worry that the wrong people are going to interpret — over dramatize, perhaps

but it is to be a clash of cul-

ture,

—

The New York Times.

## In Our Pages: 100, 75 and 50 Years Ago

### 1894: Recalled to Life

**NEW YORK** — A despatch from Columbus, Ohio, says that a young woman named Eleanor Marks apparently died a week ago and preparations were made for her funeral. While the coffin was being taken to the graveside a faint tapping in its interior was heard by the men carrying it, and the lid was removed to find it was alive. She was removed to her residence and is now recovering. She says she had full knowledge all the time of what was passing while arrangements were being made for her burial, but was unable to give any sign of consciousness until the fear of being interred alive aroused her to action.

### 1944: Summer Offensive

**WASHINGTON** — [From our New York edition.] The Allied offensive in Europe will come off some time this summer. President Roosevelt said this afternoon [May 26] at a press conference at which he urged adoption of a Washington newspaper's suggestion that the term "invasion" be dropped once and for all and that the more accurate word "liberation" be used for the impending operations on the Continent. Mr. Roosevelt also raised the question of whether he may be planning to be on hand in England when the great drive against the Axis is started.

has been taken by the northern army of volunteers acting in conjunction with the British fleet operating in the Gulf of Finland. The importance of this capture is considerable. Peterhof, on the south coast of the gulf, being only twenty-four kilometres from Petrograd. An invasion of Finland is also expected at any moment.

Historians don't own history. Some say that the Alabamas who gave Stonewall Jackson his sobriquet was complaining that the Confederate general wouldn't charge.

It's Broke,  
So Get Busy  
Fixing It

By Flora Lewis  
**P**ARIS — Americans can't seem to get it right. If he looks at it one way, Peter Rostropovich remains in the West; installed in Washington as conductor of the National Symphony, and here in this faded spa, where for the last 19 years he has conducted a notable spring music festival with an emphasis on American music schools and young American performers, this year from Philadelphia's Curtis Institute.

The conductor owes his exile from his native Russia to his friendship with Mr. Solzhenitsyn, and to the support that he and his wife, Galina Vishnevskaya, gave to the Solzhenitsyns in their persecution.

The Rostropoviches took the Solzhenitsyns in when the Soviet authorities deprived the latter of their home.

Music has always presented a different problem to authoritarian regimes. It provides another and more subtle articulation of truth than the writer does, becoming political mainly when it is confronted with totalitarian demands for conformity and ideological correctness — which is to say, when authority demands spiritual submission.

Music, like all of the arts, is a practical affair in that it makes things — compositions and performances. It is work, a tangible accomplishment, at the same time that it is part of the persisting effort of men and women to perceive and penetrate to the center of reality. In that respect it discomfits any political regime that claims to define the meaning and purpose of human action.

It scandalizes because it transcends, without doing so in any overtly political way. The kind of contemporary Western artist who sets out to scandalize audiences by presenting what ordinary people find blasphemous or disgusting considers himself a political activist. These artists are actually trivially re-enacting that attack on conventional sentiments that had a purpose in the 19th century but a century later has become not only cliché, but a cliché that claims and finds subsidy from the very bourgeoisie it purports to attack. It thereby consolidates the power of those it pretends to attack, and it is rewarded accordingly.

There is no transcendence in that. Music disturbs convention and authority because it transcends, and because it is not explicitly political it is a source of true subversion. Mstislav Rostropovich's art is more profound than that of Alexander Solzhenitsyn, because it has no conscious political mission.

He has written to tell the truth about the experience of Russia during his lifetime and before, a truth whose expression inevitably proved intolerable to the Soviet authorities, and very often even to readers in the West, who had imposed upon Bolshevik Russia ideological preconceptions of their own, suiting their own agenda, whether of left or right.

Mr. Solzhenitsyn was a subversive force with respect to all of them — and may yet again become one, in the Russia of Boris Yeltsin, as he returns. An intense controversy has broken out in Russia over the ostentatiously symbolic return of Mr. Solzhenitsyn, by way of the Russian Far East and the city of Magadan, where prisoners destined for the gulag were classified and dispatched

## The Russians' Subversion And Why It Still Disturbs

By William Plaist

**E**VIAN-LES-BAINS, France — Alexander Solzhenitsyn has returned to Russia. His fellow dissident Mstislav Rostropovich remains in the West, installed in Washington as conductor of the National Symphony, and here in this faded spa, where for the last 19 years he has conducted a notable spring music festival with an emphasis on American music schools and young American performers, this year from Philadelphia's Curtis Institute.

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**L**etters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

to their destinies. He will then travel across Russia, according to his wife, "in order to understand the realities of life in his country today."

He has been attacked in the press as returning "in ceremonial robes," expecting adulation, and has been defended in equally passionate terms. He has already made clear his harsh opinion of the imported "hamburger culture" of Moscow today, and of the alliances of ex-nomenklatura members with "financial sharks" and "nouveaux riches." He has also said that the present borders of Russia are "wrong" and that Ukraine, Belarus and much of Kazakhstan probably belong inside Russia.

Music has always presented a different problem to authoritarian regimes. It provides another and more subtle articulation of truth than the writer does, becoming political mainly when it is confronted with totalitarian demands for conformity and ideological correctness — which is to say, when authority demands spiritual submission.

However, music, like all of the arts, is a practical affair in that it makes things — compositions and performances. It is work, a tangible accomplishment, at the same time that it is part of the persisting effort of men and women to perceive and penetrate to the center of reality. In that respect it discomfits any political regime that claims to define the meaning and purpose of human action.

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## LETTERS TO THE EDITOR

### Reach Out to the Cubans

**R**egarding "Cuba: Don't Reward Castro, Tighten the Embargo" (Opinion, May 16) by Vicente Echenn:

It is high time for the United States to open its mind and its arms and welcome Cuba back into the family of nations. The reporter refers to continuous personal attacks on the president by the likes of Rush Limbaugh and Ron Reagan Jr. But instead of exploring whether these lavishly sponsored media campaigns might have something to do with fomenting the distrust, she turns the focus on the president and his "character problem."

This in effect validates the notion of a character problem, a concept cynically invented by Republican strategists to undermine a young and energetic president. The second article is about a reporter in California who lost his column for having the temerity to contend that a dead Republican president, a proven liar whose penchant for paranoia-inspired secret acts provoked the most serious constitutional crisis in U.S. history, had substantial character flaws and should not be an object of adulation.

The lesson to young Americans would seem to be clear: It is acceptable to try to cripple the effectiveness of a sitting president through unsubstantiated ad hominem attacks but it is unacceptable to speak of the readily substantiated character flaws of a Republican icon who damaged forever the office of the presidency and, more importantly, Americans' collective ability to tackle national problems in a spirit of good faith and trust.

And some still wonder about the origins of the odd mix of apathy, defeatism and cynicism among young people today.

THOMAS S. HARRINGTON.

Santiago de Compostela, Spain.

Regarding "For Serial Diner, Jail Main Course" (May 20) by Rick Bragg:

What a sad comment on our time that Gangaram Mahes should be characterized as a "serial diner" rather than as the lineal descendant of Soapy, the hobo hero of O. Henry's classic "The Cop and the Anthem," to whom jail represented "three months of assured board and bed ... the essence of things desirable."

REBECCA BRITE.

Paris.

### Don't Pressure Bosnia

**R**egarding "Bosnia After Vietnam: Ignorance, Bad Mistakes" (Opinion, May 20) by Gregory Clark:

Mr. Clark wants the United States to join Western Europe in pressuring the Bosnians to compromise with the Serbs. But the parallel he draws with Vietnam does not stand up. During the Vietnam War, Washington could no doubt have brought pressure on Saigon to compromise by withdrawing military support.

But the Bosnian government has no fighting allies; it is not even allowed to buy arms to defend itself. The only extra pressure that can be applied is what the West Europeans are now doing — threatening to halt humanitarian aid and stop their very limited protection of certain cities. The United States should have nothing to do with this. At the least, the West should not prevent the Bosnian government if it tries to win back some of its territory, including areas that have fallen victim to "ethnic cleansing."

CLIFFORD SMITH.

Brussels.

### Shades of Soapy

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Scenes from Suzhou, in the Yangtze river basin, a city that Marco Polo described for Westerners more than 700 years ago.

## Suzhou: Silk, Canals and Marco Polo

By Thomas Fuller  
*International Herald Tribune*

**S**UZHOU, China — Sitting on a side-walk in this ancient Chinese city is a man who makes rat-traps for a living. He wears a worn navy-blue sport coat, his graying hair is cut short enough to stand on end and an extinguished cigarette hangs from his mouth. A small audience of schoolchildren and passersby is less interested in the wire that he twists and cuts to make the traps than in the demonstration model displayed on the sidewalk: a medium-sized rat, caught in his hind leg, desperately tries to gnaw itself free. Next to the rat-trap maker on the same sidewalk a man sells bicycle seats and fixes flat tires. Two steps farther is a machine that crushes sugar cane and makes juice from it. Suzhou's tree-lined avenues and narrow back alleys are replicas with similar scenes, making it a great city to see on foot.

Rats and traps, however, are not what put Suzhou on the tourist map, nor what has brought foreigners here for centuries. It was, and is, worms and looms. Suzhou's silk embroidery, classified as one of the four major types in China, can be traced back to the third century.

Foreign visits to Suzhou seem to have started with the arrival of a Venetian tourist some years ago who noted that the inhabitants of the city, "live by trade and industry, have silk in great quantity and make much silk cloth for their clothing."

By his description not much has changed in Suzhou since Marco Polo's visit in 1276. The distant smokestacks are evidence of today's industry and a banner strung across the entrance to a silk mill proof of ongoing trade. "What Boundless Joys to Have Friends From Afar," it reads.

It seems only fitting that Marco Polo was the first European to describe Suzhou to his fellow Europeans. Linked with the Grand Canal by a series of smaller waterways that crisscross the city, Suzhou has predictably been called the Venice of the East. Polo, prone to exaggeration, described it in this way: "Let me tell you that in this city there are fully 6,000 stone bridges, such that one or two galleys could readily pass beneath them."

Today, within the same confines of the moat that Polo must have crossed, there are 175 bridges, of which only a handful could fit anything larger than a canoe underneath. Remarkably, however, the canals are still used to transport produce from the surrounding countryside to the city's markets. Located in the Yangtze river basin, Suzhou has long profited from both the fertile soil that the river provides and the transport that it carries via the Grand Canal.

More important for Suzhou's trade and industry today is nearby, massive Shanghai. The City that expands daily under towering cranes — and nightly by the lights attached to them — is just 75 minutes by train from Suzhou. Day trips from Shanghai to Suzhou can be done, in addition to the train, by bus or taxi. Once travel becomes easier between the two cities, Suzhou could foreseeably be considered a suburb of Shanghai, qualifying it perhaps as one of the world's top 10 places to buy property!

Compared with Shanghai, certainly one thing that Suzhou has more of is gardens. Not Western-style flower gardens, but rocks, kiosks, pagodas and ponds. Perhaps the most well-known is the Humble Administrator's Garden, which, by one account, takes its name from a Chinese proverb of the Jin Dynasty: "Irrigating gardens and raising vegetables for daily meals are also a way for a

bumble person to manage administrative affairs."

Needless to say, there are no vegetables in the garden; instead, plenty of trees, ponds, and Chinese tourists photographing each other. Paths guide the visitor through sitting rooms that overlook the pools. The chambers have names such as the Hall of 36 Pairs of Mandarin Ducks and are decorated with framed prints and paintings.

**A**DMISSION to the garden, like nearly all museums and parks in China, costs several times more for foreign "guests" than for Chinese. "Guest" is perhaps the most feared word for foreigners in China as it is almost always used in conjunction with an inflated tourist price. Train fares, boat tickets and rooms in some hotels are subject to foreign pricing as well. By Western standards, the foreign prices are still cheap; but sometimes you clearly get what you pay for. Overseas Chinese are the lucky ones with this system — which is largely based on appearance — as they often slip through the cracks and manage to pay the "Chinese" price.

Fortunately, most of Suzhou's charm bears no admission price. A walk through the alleyways, past the shops, markets and bazaars, is as rewarding, if not more, than a visit to the Hall of 36 Pairs of Mandarin Ducks. Bicycles are the main form of locomotion in the alleys, the sound of bicycle bells undoubtedly more pleasant than the truck horns blaring on Suzhou's bigger streets.

Judging from the number of stares a visitor gets in the alleyways and along the canals, it's hard to say who's on display. Schoolchildren have invariably learned the one word they assume all foreigners know and relish each opportunity to use it. Passing

a pack of kids sounds something like this: "ELLOELLOELLOELLO."

The canals are less picturesque but perhaps more functional than those of Venice, which the Chinese might be tempted to call the Suzhou of the West. Inevitably but sadly, the functioning canals have their share of pollution in part because of a popular notion that they serve as the local garbage dump.

Suzhou's dilapidated canal-side housing seems to be giving way to modernity these days. The city's main east-west waterway is undergoing a large-scale face-lift involving the destruction of all that was beside it. Bulldozers accompany hundreds of human earth-movers, proof that the concept of coolie labor is not dead. The construction is due to be completed less than two years from now. Future visitors to Suzhou can only hope that the project's planners keep the charm of a city that has entertained visitors from the West for 700 years.

### HAIL HITS

■ Howard Jenkins became a millionaire on his lunch break, and he didn't have to rob a bank. In fact, it was the bank's computer that put \$88 million in his account. The Associated Press said the 31-year-old promotional manager in Tampa, Florida, withdrew \$4 million and took his girlfriend to lunch. Then he went back to the bank — with his lawyer, in case he was arrested — and gave back every cent. Nice while it lasted.

The jazz program at the Open Air Theater, Harbiye, Istanbul, between July 10 and 25 promises performances by a wide range of jazz and rock artists including the Bruce McFerrin trio, Gary Moore, Jack Bruce, Ginger Baker and Neil Young.

Many of Istanbul's traditional sights are in the Sultan Ahmed district. With crowded sidewalks and too much traffic, Istanbul is not really a walker's city, so this comes as something of a relief that city authorities have broadened the sidewalks around the Sultan Ahmed district, and Istiklal Caddesi, the main shopping street running from Taksim Square down toward the Bosphorus, has been turned into a pedestrian area with a turn-of-the-century tramline running down its middle.

Sadly, the old Galata Bridge across the Golden Horn, with its accumulation of tea-level eateries and vendors beneath it, has been replaced by a newer, more sterile version that, while more suited to the weight of Istanbul's modern traffic flows, offers none of its predecessor's bustle.

No visit to Istanbul is complete without an hour's Bosphorus Ferry ride from Eminonu, the principal boat-landing on the Golden Horn near the main Sirkeci railroad station, to Rumeli Kavagi on the western bank at the northern tip of the Bosphorus and Anadolu Kavagi on the eastern bank. The ferry leaves from the Eminonu jetty at 10:35 A.M. and 1:35 P.M. and a return ticket costs just over \$1. The slightly run-down vessels zigzag up the Bosphorus, stopping at just about every landing on the way and giving spectacular views of the two soaring bridges connecting Europe and Asia and of the 15th-century Rumeli Hisari fortress.

Once at Rumeli Kavagi or Anadolu Kavagi, there is ample time for a meal at one of many fish restaurants where a lunch of freshly caught Black Sea fish with Turkish meze (hors d'oeuvres) costs between \$10 and \$15.

Istanbul's hotel operators seem to have concentrated in recent years on creating

the 1980s and the sudden appearance of a new middle class looking for the same sophistication they would find in Europe. At the same time, it is still possible to eat for a few dollars on a plate of doner kebab and other Turkish specialties at eateries near the main sites in Sultan Ahmed.

For the smart set, the place is 29 (Yirmi dokuz in Turkish) at Una Parki, Efeler (265 61 81). It has a stunning Bosphorus view and the chef is French. Dinner with wine will cost a minimum of \$40 a person. Starters include seafood crepes at \$6, artichokes in olive oil at \$5 and smoked salmon at \$8. A la carte specialties include poached sea bass (around \$10), lamb fillet (\$8) and a variety of kebabs and kofte meatballs at \$2 to \$8.

**K**ORFEZ, on the Asian side of the Bosphorus at 78 Korfez Caddesi, Kartalca (216-415-4314, closed Monday), is another seaside place in a similar price range. The specialty is sea bass oven-roasted in layers of rock-salt above and below it. Then, when it is brought to the table, the waiters crack open the salty shell and serve the fish inside.

Sureya at 26 Istinye Caddesi, Istinye (277-58-56, closed Sunday), is one of Istanbul's old favorites, offering Russian, Turkish and European cuisine. Caviar blinis and chicken Kiev are specialties. Prices for dinner with wine start at around \$25 a person.

Slightly cheaper is the Asitane in the Kasimpasa Hotel, 18 Kariye Camii Sokak, Edirnekapisi (534-84-14), next to the Church of Chora. Asitane offers three fixed-price menus ranging from \$12 to \$18 without wine and all composed of traditional Turkish cuisine. The most expensive, at \$18, features an array of dishes made with olive oil, such as stuffed vegetables, followed by hot appetizers, the Sultan's Favorite veal stew on a bed of aubergine puree, salads, and a choice of desserts.

For budget travelers, any number of eateries at Sultan Ahmed offer cheap dinner, rice, lentil soups, beans, lamb dishes and dessert. One of the oldest is Sultanahmet Kofecisi (12A Divanyolu Caddesi, 513-14-38) known for its meatballs. The average price of a meal is around \$5.

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# LEISURE

## Saving a Fallen Star

Rome's Via Veneto Getting a Face-Lift

By Roderick Conway Morris  
*International Herald Tribune*

**R**OME — Via Veneto had, by the late 1950s, become not so much a thoroughfare as an ongoing celebrity soap opera. On a good night its couple-of-hundred-yard strip of bars and restaurants attracted more stars and big names — from Audrey Hepburn, Anita Ekberg, Anna Magnani and Gary Cooper, to Orson Welles, Tennessee Williams, Jean Cocteau and Coco Chanel — per square centimeter than anywhere else on earth.

Men were men (and not infrequently several sheets to the wind), starlets were as likely to appear with a leopard on a lead as a lapdog, and current and former VIPs such as the exiled King Farouk of Egypt, made spirited attempts to throttle intrusive photographers.

There were public scenes galore. Ava Gardner and Frank Sinatra offering, so history relates, almost nightly performances at Via Veneto's Excelsior Hotel, as the couple slugged out round after round of their tempestuous marriage — the staff looking on, as powerless to arrest the conflict as the average UN peacekeeping force.

In "La Dolce Vita," Fellini immortalized Via Veneto's hyperactive lifestyle, lights and swirling stream of honking traffic — out of which, every so often swooped Vespa-borne, kamikaze paparazzi, flash guns blazing — in such appalled and loving detail that the street itself became a star of the film.

(Via Veneto was then such a maelstrom of activity that the director had to build a replica of it on a lot at Cinecittà to shoot the scenes set there.)

But after the binge of the '50s and '60s a protracted hangover set in. The beautiful people ceased to be beautiful, or moved on elsewhere. The famous watering holes — Café de Paris, Donkey, Strega and Rosso — lost their luster and began to close down, some for prolonged periods, others, it seemed, forever.

Eighteen months ago two establishments were shut by the health inspectors. Brief notoriety returned when it emerged that some of Via Veneto's remaining bars had become a favorite place for gray men in gray

suits to hand over cash-filled envelopes — the stock-in-trade of Italy's "Tangentopoli" (Bribery) scandal.

But by last spring the Italian press was gleefully declaring the party over — and Vin

Last summer, Via Veneto's top strip, leading up to the Porta Pinciana gateway in Rome's third-century walls, where show biz's *monde entier* used to gather, was closed to traffic by the municipality — prompting some cheerful souls to predict that this was all that was needed to transform the once teeming drag into a hushed Memory Lane.

**B**UT the Vin Veneto Association — a group of hoteliers, restaurateurs and residents dedicated to reviving the street's fortunes — led by Mario Miconi, who started his career as a bellboy at the Excelsior in 1948, and is now its director, living in the hotel (describing himself as the "Prisoner of the Via Veneto") — thinks otherwise.

"Every other major capital has a closed section of the town for pedestrians — so why not Rome?" said Miconi, as we took a stroll up the middle of the Via Veneto, where the old traffic markings on the tarmac are crossed by new benches, flower beds and slightly surreal, artificial grassy mounds that have erupted here and there, sprouting shrubs, bamboo thickets and even (as in cartoon desert islands) solitary palm trees — all installed with money raised by the association.

"We want to improve the street in all kinds of ways — hold concerts, exhibitions and other events to bring people here and show that it is still alive," said Miconi. Already, the famous old bars like Café de Paris, Donkey and the refurbished Harry's Bar, all previously closed, are functioning again.

Meanwhile, the Swiss jeweler Chopard, attracted by Via Veneto's new image, has opened its first shop in Italy there. Sirena, once a celebrated literary hangout, which used to award its own annual book prize, belongs to Wimpy and is being converted from a fast-food outlet into a more stylish rendezvous (though whether today's literati will be able to afford the prices remains to be seen).

"Before the war," said Miconi, "Via Veneto was most of all a place for Italian writers and intellectuals. The Americans discovered it when Rome was liberated, General Mark Clark made his headquarters at the Excelsior and the Palazzo Margherita down the street became the U.S. Embassy. That's why the American movie stars started coming here in the 1950s."

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"In those days people came by ocean liner, with piles of cases and trunks and their dogs, and stayed for weeks. It's not like that anymore — everybody's in such a rush these

days, they don't feel they have time to sit around in cafés.

"But now the street's been closed to traffic, the quality of life here's changed for the better. We don't want to try to re-create 'La Dolce Vita' — it was like La Belle Epoque, and you can't repeat eras like those. But we do hope to encourage people to come here, to escape the Roma traffic, and spend a little time talking and relaxing — after all, just talking can be a cultural activity, you know."

Orson Welles on the Via Veneto in 1958, when the street was in its heyday.

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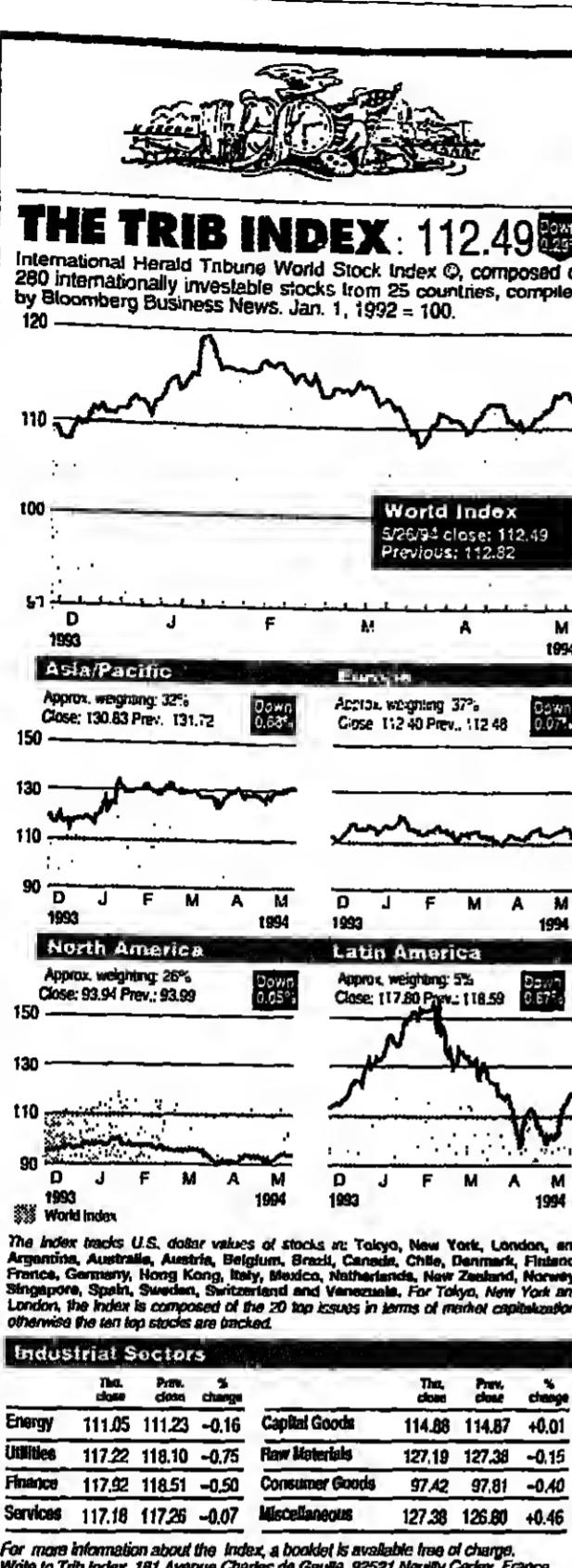
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# FINANCE

International Herald Tribune, Friday, May 27, 1994



## Rates Stay Put in Germany

### Uncertainty Fuels Bearish Mood

Compiled by Our Staff From Dispatches

**FRANKFURT** — After peppering investors with conflicting messages about interest rates and putting the plug on a government bond auction, Germany's central bank, the Bundesbank, declined to change leading interest rates Thursday, in a subtle shift to a more cautious monetary policy.

Germany's discount rate could stay at 4.5 percent and its Lombard rate at 4.5 percent through the summer, analysts at major investment houses said. By then, Europe's largest central bank might be so transfixed by the inflationary potential of rampant money supply growth that it will stop cutting rates altogether, some added.

The two rates, which tend to be trend-setters throughout Europe, represent the floor and ceiling for German money-market rates.

Some observers said hopes for a cut in the rates disintegrated Monday, after Bundesbank President Hans Tietmeyer said that the bank was not pursuing step-by-step cuts in interest rates for the time being.

The shift in monetary policy caught up with equity markets Wednesday, sending stock averages falling throughout Europe. In Britain, Italy, France, Denmark, Finland and Spain, indexes fell by more than 2 percent, while averages slid by more than 1 percent in Germany and Belgium.

Stock markets ended mostly lower Thursday, with shares failing to recover from Wednesday's falls.

Meanwhile, analysts across Europe are debating how Wednesday's failed bond auction, the first since September 1990, will influence Europe's bond markets.

With Bundesbank interest rates held, say many, it's going to take weeks of subdued inflation and slowing money-supply growth to restore investors' faith to the markets.

"It's going to be a very slow, gradual recovery," said James Mitchell, an analyst at Deutsche Bank AG in London.

(Bloomberg, Reuters)

## Last In, First Out in Japan

### Women Face Job Bias, Official Admits

By David E. Sanger

New York Times Service

TOKYO — A senior Japanese cabinet official acknowledged Thursday that companies throughout the country had systematically denied job opportunities to women through the four-year-long economic downturn, inflicting charges by women's groups that progress made toward equal opportunity in the 1980s had severely eroded.

The official, Eiji Hata, minister of international trade and industry, called in leaders of one of Japan's biggest business groups and asked them to end a series of practices that had made Japanese women the last to be hired and the first to be laid off, in a subtle shift to a more cautious monetary policy.

Germany's discount rate could stay at 4.5 percent and its Lombard rate at 4.5 percent through the summer, analysts at major investment houses said. By then, Europe's largest central bank might be so transfixed by the inflationary potential of rampant money supply growth that it will stop cutting rates altogether, some added.

The move followed a chorus of complaints, particularly from students and educated women who say recruiters have ignored them in Japan's job-placement rituals. A survey of 1,000 companies by the Labor Ministry late last year found that more than half said they were cutting back on hiring women so they could keep hiring male students, who generally stay with companies longer and almost never seek child-care leave.

Executives said that, while they would listen to the government's plea, they were not inclined to change their attitudes or to comply with the country's eight-year-old Equal Employment Opportunity Law, which has been widely disregarded.

A spokesman for the Japan Federation of Employers' Associations, who declined to speak for attribution, said that the fault lay with women who were not willing to "seek jobs in smaller and medium-sized companies" in hard economic times.

Many questioned Mr. Hata's motives, noting that within a few months the country may be forced into elections in which the votes of young women could be critical. Mr. Hata, who is not related to Prime Minister Tsutomu Hata, may also have been seeking to embarrass the employers' group, which has opposed many of the government's new tax proposals.

While reliable statistics are difficult to come by, Japanese newspaper headlines and other anecdotal evidence make it clear that women have borne a disproportionate amount of the nation's economic pain.

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(Bloomberg, Reuters)

In a case that has attracted considerable attention, a group of women employees at three companies affiliated with the Sumitomo group filed complaints to force the company and the union to release information about salaries paid to male and female employees. They said a woman with 25 years' experience makes an average of one-half the pay of a similarly experienced man and that women over 40 rarely rise up the corporate ladder as high as men three years out of college.

Some Japanese women's groups argue that the recent string of corporate announcements demonstrates that the strides made by women in the late 1980s and early '90s — epitomized by the early career of Masako Owada, the Harvard-educated

diplomat who married into the royal family last year — had far less to do with a change in national values than with a labor shortage. Now, as companies cut back, the record suggests that women are the last to get a foot in the door and the first to be escorted to the exit.

A young woman at Gakushuin University, one of the country's top colleges, said that while men in her class were deluged with recruiting literature from Japan's top companies, "the women still had to call to get any information." When she showed up for interviews at several companies, she was told to forget about applying for career positions and to settle for a clerical job, even though her grades were far higher than many of the males who landed positions.

She said other companies were largely interested in whether she would be ready to marry a single man working in the company. Such questions are hardly unusual in Japanese recruiting: Even today, many companies review the qualifications of potential "office ladies" largely to determine whether they would be suitable spouses, helping the male employers to focus on their careers.

This year, the Labor Ministry reported that only 75 percent of women graduating from college said they had found work, compared with 92 percent of men. The statistics paint a rosier picture than reality suggests: Many of those women settled for jobs far below their capabilities.

The problems reached such proportions this year that the government set up a committee to examine the problem. It concluded in an interim report that "cases that do not fit the spirit of equal employment opportunity" were rampant, especially involving denials of promotions to married women.

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## Chief to Quit At Italy's State Holding Group

By Alan Friedman

International Herald Tribune

PARIS — Romano Prodi, chairman of Istituto per la Ricostruzione Industriale, the leading Italian state holding group that controls hundreds of companies ranging from steel to Alitalia, the state airline, will resign the next two weeks, according to senior government officials in Rome.

Mr. Prodi, 54, has been a driving force in Italy's privatization program, and he is viewed in international financial circles as well suited to run the sprawling state-owned group.

On Thursday, two senior government officials insisted that Mr. Prodi's departure would not hinder the government's plans to speed its privatization program.

The officials said Mr. Prodi discussed his plans to leave IRI during a meeting Wednesday evening with Prime Minister Silvio Berlusconi. The two men are understood to have agreed to delay the announcement of Mr. Prodi's resignation, which could come as early as next week.

Mr. Berlusconi and Lamberto Dini, the treasury minister, are believed to have been in favor of Mr. Prodi's continuing at IRI.

In a recent interview, Mr. Dini singled out IRI as a key privatization target, saying the government would "get out entirely." Among IRI holdings that Mr. Dini said would be privatized were Ilva, the steel subsidiary; Stet, the telecommunications company; Finmeccanica, the heavy-machinery and aerospace group that controls Agusta helicopters, as well as arms makers and railway equipment companies.

IRI is owned during the Mussolini era, and during the 1980s by Carlo Azeglio Ciampi, then prime minister, having served previously in the post in 1982-89.

But his tenure is opposed by the neofascist National Alliance Party, a member of Mr. Berlusconi's governing coalition. In addition, the IRI chief has lost friends he feels he has completed the mandate given to him by Mr. Ciampi.

Politically, Mr. Prodi is identified with the left wing of the former Christian Democratic Party. He is respected by senior members of the opposition Progressive Alliance that is headed by Achille Occhetto and would have been considered a possible prime minister if the leftist coalition had won Italy's recent election.

Since the time of Mr. Berlusconi and his allies, center-left politicians have begun discussing asking Mr. Prodi to serve as the opposition leader.

In recent weeks Mr. Prodi has also been the center of a public controversy with Mediobanca, the Milan merchant bank, about privatizations.

Mr. Prodi wanted to create "public companies" with broad share ownership on the Anglo-Saxon model during the recent privatizations of Banca Commerciale Italiana and Credito Italiano, two banks formerly owned by IRI. He lambasted Mediobanca after the merchant bank managed to take effective control of the banks away by bringing together a small group of institutional investors and packing the boards of the banks.

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## Bad Debts From 1980s Cut Japanese Bank Profits

Compiled by Our Staff From Dispatches

TOKYO — Japan's 11 largest commercial banks said Thursday that their current profits declined 42 percent in the year ended March 31 as they continued writing off bad debts from the late 1980s.

The decline to \$63.1 billion yen (\$5 billion) from \$94.2 billion yen reflected the cost of trying to write down a mountain of bad debt, which the Bank of Japan now says is a major obstacle to economic recovery.

But they said their efforts to write off snowballing bad debts were beginning to show results and that bad debt will continue to decline slowly this year.

The banks said their publicly disclosed closed bad debts increased to \$9.48 trillion yen in the year ended

March 31, up 6 percent from a year earlier.

The figures were disclosed by bank officials in news conferences at the Bank of Japan's press club. Unable to quickly clear their books of nonperforming loans, bankers remain unable to do much to help the economy out of recession.

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to travel before reaching 11, said financial industry analysts in Tokyo. Furthermore, some may emerge in better shape than others, they said.

Five Japanese electronics firms forecast higher profits. Page 15.

Now that stock and land prices have tumbled, many Japanese debtors are no longer able to pay interest on loans obtained in the 1980s. To make matters worse, the value of the land and securities they offered as collateral has declined

too far for banks to recoup their losses.

The Japanese bankers said it would take two more years of write-offs, at the risk of further profit declines before they finish sorting the bad apples from the good.

Sakura Bank, one of the largest commercial banks, said its net profit sank 60 percent, to \$2.85 billion yen from \$7.71 billion yen. Earnings per share fell 4 percent, to 2.73 trillion yen.

But Sanwa and Sakura are carrying the bulk of costs in a consortium of banks bailing out Japan's largest housing finance company, Nippon Housing Loan Co., whose nonperforming loans reportedly exceed \$80 billion yen.

(Bloomberg, AP)

## Hong Kong Land Sale Meets With Lower Bids

Compiled by Our Staff From Dispatches

HONG KONG — Two parcels of suburban land were auctioned off Thursday for lower-than-expected prices, which analysis said reflected a joint effort by real estate developers to head off legislation aimed at cooling the territory's booming property market.

A group of 12 companies jointly bought a 20,780-square-meter (25,000-square-yard) site in Fanling, part of Hong Kong's New Territories area, for \$204 million Hong Kong dollars (US\$264 million).

Among derivative traders, "there will always be the occasional bozo who screws himself up," Mr. Castroviejo said, but overall the instruments draw much more money into the markets.

The mood was remarkably tame, compared with previous auctions where fierce bidding symbolized the spiraling prices that have made some parts of Hong Kong as expensive as Tokyo.

Analysts said the price was low because the companies decided to bid against each other. They instead used the auction to display their muscle and show the government there was no need for it to drive down real estate prices.

"They hope to send the government a signal that the property market is soft, and it doesn't require the government to take measures to push the market further down," said Andrew Hall, research director at Morgan Grenfell Asia Securities.

But Mr. Hall said it was "too early to say" if land prices in Hong Kong were coming down from their record highs.

The government warned real estate speculators at the end of March that it would take action to reduce Hong Kong's apartment prices, many of which have tripled during the past three years.

Since then, apartment prices have fallen by 5 percent to 15 percent. A government task force will soon recommend measures to reduce prices.

The group that bought the parcels from the government Thursday included Cheung Kong Holdings Ltd., Sun Hung Kai Properties Ltd., New World Development Co., Sino Land Co. and the real estate investment and textile group Nan Fung Textiles Consolidated Ltd.

Source: Reuters, Bloomberg, Merrill Lynch, Bank of Tokyo, Commerzbank, Greenhill Morgan Stanley, Credit Lyonnais.

**Gold**

Zurich 4.98 6.00 P.M. Ch'ge

London 4.98 6.00 — 1.9%

New York 26.20 28.10 2.7%

1-month interbank 5.20 5.20 2.6%

3-month interbank 5.20 5.20 2.6%

6-month interbank 5.20 5.20 2.6%

1-year Government bond 5.20 5.20 2.6%

London rate 5.20 5.20 2.6%

Call money 5.20 5.20 2.6%

1-month interbank 5.20 5.20 2.6%

2-month interbank 5.20 5.20 2.6%

3-month interbank 5.20 5.20 2.6%

6-month interbank 5.20 5.20 2.6%

1-year Government bond 5.20 5.20 2.6%

German

## MARKET DIARY

# Blue-Chip Average Is Little Changed

Compiled by Our Staff From Dispatches

**NEW YORK** — U.S. stock prices ended mixed Thursday as a tide in Philip Morris was offset by strong gains in Boeing and General Electric.

The Dow Jones industrial average finished down 1.84 points at 753.46, while gaining issues outpaced losing ones by a 4-to-3 ratio in the New York Stock Exchange. Philip Morris was the most actively traded U.S. stock, falling 3½ to 50½ after the company decided

potent drug that would have competed with an Upjohn product. Johnson & Johnson rose ½ to 44½.

Cobra Industries rose ¾ to 6 after the maker of recreational vehicles said it expected to report high second-quarter earnings. It also said increasing orders should push sales up by between 10 percent and 15 percent in the current quarter.

In the over-the-counter market, Lotus Development fell 3½ to 60 after an analyst at Goldman Sachs cut his earnings estimates for the computer software maker.

Acclaim Entertainment, which makes Sega and Nintendo video games, rose 2 11/16 to 17 9/16 on speculation it may be a takeover target.

Deere fell 2½ to 68 4/8 after NatWest Markets lowered its recommendation on the stock to accumulate from buy on Wednesday.

Allwaste, an environmental cleanup company, rose ¾ to 5½ after being raised to buy from neutral by a Smith Barney Shearson analyst.

The Treasury bond market provided little direction for stock prices. The price of the benchmark 30-year issue slipped 4/32 point to 86 24/32, with the yield edging up to 7.36 percent from 7.34 percent Wednesday.

No major economic data were released Thursday, and some investors had already squared positions for the weekend. (Bloomberg, AP)

## U.S. Stocks

against splitting its food and tobacco sectors and Florida adopted legislation allowing the state to sue tobacco companies for smoking-related Medicaid expenses.

Bur weakness in Philip Morris as offset by strength in Boeing, which jumped 2 ½ to 46 ½ on reports it was close to winning an order for 50 jets from China. Shares of General Electric, a maker of jet engines, also benefited, rising 1 to 8 ½.

Computer Associates International surged 6½ to 43½ in active trading after reporting fourth-quarter earnings that were above analysts' expectations for the computer software company.

Upjohn rallied 3½ to 32 ½ in active trading on news that Johnson & Johnson had withdrawn from an agreement to market a male im-

potent drug that would have competed with an Upjohn product. Johnson & Johnson rose ½ to 44½.

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## Possible Intervention Pushes Dollar Higher

Bloomberg, Business News

**NEW YORK** — The dollar rose against most other major currencies Thursday, rebounding from a sinking spell amid speculation that the world's central banks would come to the rescue if it fell any further.

The Federal Reserve Bank of New York and 18 other central

bankers team to buy dollars on May 4 after the currency fell to a six-month low against the Deutsche mark and tumbled toward a record low against the yen. Traders have been wary of the central banks ever since.

"Fear of the central banks is lending the dollar support," said David De Rosa, director of foreign exchange at Swiss Bank Corp. "Otherwise, it would be heading lower."

The dollar closed Thursday at 1.6483 DM, up from 1.6447 DM on Wednesday. It fell as low as 1.6398 DM on Thursday before concern about another buying spree by the central banks helped it gain. The

dollar rose to 104.62 yen from 104.45 yen Wednesday.

"People are jittery about the central banks," said Amy Sun, currency market strategist at JDEA, a consulting firm. "Other than that, the markets were very quiet."

Some traders sold early.

The pound closed 1.0180 DM on Wednesday after its biweekly meeting on monetary policy.

Traders do not currently expect U.S. interest rates to rise again soon. The Federal Reserve last raised rates May 17, pushing the federal funds rate on overnight bank loans to 4.25 percent from 3.75 percent. The Fed also raised the discount rate or direct loans to banks to 3.5 percent from 3 percent.

"The only play that makes sense at the moment is to sell dollars," said Nick Downes, a trader at Caisse Nationale de Crédit Agricole in London.

The pound closed at \$1.5095, little changed from \$1.5094 on Wednesday. The dollar rose to 5.6250 francs and to 1.4060 Swiss francs from 1.4040 francs.

Analysts said the company had been stripped of its prime assets and said the shares could fall further.

They fell 12 to 219 DM on Thursday.

## WORLD STOCK MARKETS

## Foreign Exchange

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## Current Stock Indexes

Previous: 763.50

Brussels

AG Fin 270.25 270.25

Borsa 246.50 249.00

Cockerill 264.50 277.00

Cobeco 246.00 250.00

Dexel 234.00 234.00

Electrolux 210.00 210.00

GEL 450.00 451.00

Georgi 270.00 270.00

Petroleum 1002.50 1000.00

Previous: 762.50

Frankfurt

ADM Arms Hld 41.20 41.40

ACI Holding 45.10 45.10

Argec 47.10 47.10

Akzo Nobel 207.50 208.00

AMF-Wesmann 72.00 72.00

CSM 46.40 45.20

DSM 17.00 17.00

Elsevier 17.70 17.70

Gekko 21.20 21.20

GEC Brocades 19.00 19.00

HBO 31.20 31.20

Hercules 1.70 1.70

Hoppeneyer 7.70 7.50

Hunter Douglas 7.50 7.50

Inter Mueller 6.20 6.20

Intertel 52.00 51.50

Inter Nederlan 51.20 51.30

KPN Bt 20.00 20.00

Lever 1.70 1.70

Oce Grinden 76.70 76.70

Pellis 22.20 21.70

Polygram 19.00 19.00

Rodame 1.70 1.70

Schering 1.70 1.70

Siemens 1.70 1.70

Stora Enso 1.70 1.70

Telco 1.70 1.70

VNU 17.50 17.50

Volkskrift 11.50 11.50

WU Index 18.10 18.49

Previous: 18.12

Current Stock Indexes

Previous: 762.50

London

BBY 27.65 27.65

Anglo Amer 22.70 22.70

Barclays 22.20 22.20

Citi 22.20 22.20

Cox 22.20 22.20

Deutsche Börse 22.20 22.20

Dresdner Bank 22.20 22.20

Pfizer 22.20 22.20

Hornbach 22.20 22.20

Hughes 22.20 22.20

IBM 22.20 22.20

Imperial Chemical Ind 22.20 22.20

ITG 22.20 22.20

Lehman Bros 22.20 22.20

Merrill Lynch 22.20 22.20

Merck 22.20 22.20

Novartis 22.20 22.20

Philips 22.20 22.20

Prudential 22.20 22.20

Salomon Brothers 22.20 22.20

Standard & Poor's 22.20 22.20

Unilever 22.20 22.20

Wells Fargo 22.20 22.20

Worley 22.20 22.20

Yankee 22.20 22.20

Ziff 22.20 22.20

Current Stock Indexes

Previous: 22.20

Montreal

AGA 324 324

Alcan Aluminum 324 324

Alcan Paper 324 324

Alcan Plastics 324 324

Alcan Specialty 324 324

Alcan Textiles 324 324

Alcan 324 32

# Eurotunnel Sets £1.6 Billion Refunding Plan

Compiled by Our Staff From Dispatches

**PARIS** — Eurotunnel PLC, the builder and operator of the tunnel linking France and Britain, unveiled a financing package Thursday designed to pull it back from the brink of bankruptcy.

Coming three weeks after the opening of the Channel Tunnel, the package consists of an £8.6 million (\$13.5 million) stock sale to shareholders and £693 million in new bank lending, plus a cushion of a further £50 million credit line.

The new funding will allow the company, which ran into several financial problems as it tunneled, to turn its attention to getting passenger and freight services — already a year behind schedule — under way during the summer and autumn.

"Shareholders have sustained us up till now," said André Benard, the French co-chairman of the company. "Now they have a choice. There are some risks, but we've put most of those behind us."

Mr. Benard, who also announced he was stepping down and would be succeeded by Patrick Ponsolle, said he did not think the company would need further funding before it turned a profit, which it expects to do by 1996.

Since its initial \$770 million equity sale in 1987, the company has gone back to the market on several

occasions to raise cash. "We think it's the last time," Mr. Benard said of the latest recapitalization.

The new stock sale will be priced at 265 pence a share in London and 22.50 francs (\$4) in Paris and will be offered to holders in the ratio of three new shares for every five already held. The rights offering, the third largest ever attempted on European stock markets, will open in early June and run for three weeks.

Shares of Eurotunnel in London fell to a 17-month low after the announcement and closed at 350 pence, down 5. In Paris, shares fell to 29.65 francs from 30.50 Wednesday.

Fund managers had been gloomy about Eurotunnel during the lead-up to the offer as the company, laboring under a £7.7 billion debt load, battled to stave off bankruptcy by seeking new loans.

But the announcement that Eurotunnel had secured £693 million of loans has quelled concerns and allowed investors to focus on the company as a long-term investment.

"All the banking's in place now," said Tim Stevenson, a fund manager with Henderson Administration. "This is the final hurdle. It's obviously well underwritten, and this discount makes it attractive."

(Bloomberg, Reuters)

## Chip Makers Are Chided Reinvest More Profits, Europeans Urged

By Mitchell Martin  
*International Herald Tribune*

**LONDON** — Europe's semiconductor industry has not invested enough of its recently hefty profits in new factories, the Dataquest Europe Ltd. research company warned Thursday.

This will create problems for the chipmakers and the electronics companies that supply them, the analysts said at the annual European semiconductor industry conference. The conference is organized by Dataquest, a Dun & Bradstreet Corp. subsidiary.

Home-grown European companies have little presence in the personal computer market. Most of the business of supplying PC chips is done by subsidiaries of U.S. and Japanese concerns. The big European chip makers — SGS Thomson, Microelectronics, Siemens, Philips and GEC Plessey — are most competitive in semiconductors used in such industries as telecommunications and automobiles.

Although the overall market for semiconductors is surging, with global sales this year expected to rise to \$101 billion from \$85.6 billion in 1993, capital spending has slowed, Dataquest analysts said, especially in Europe and Japan.

For the near term, the European market is expected to grow 12 percent this year, led by wireless communications, personal computers and telephone switching equipment, according to Gene Norrett, a Dataquest executive.

Also at the conference, Dataquest gave Motorola Inc. its European Vendor of the Year award, the third time the American company has won the three-year-old award. The award is based on voting by about 40 European companies that use semiconductors in their products and reflects the availability of chips, their quality, price and performance, and support and service by the supplier.

But weak investment means Europe does not have many chip foundries and silicon-wafer factories, making it vulnerable to supply problems that are expected to arise because of the global

growth in demand for semiconductors, whose sales are expected to double to \$200 billion by 2000.

Already, some executives attending the conference said, supply constraints are beginning to show up for technologically advanced chips. About 40 factories around the world are expected to open soon, but few of these will be in Europe. Meanwhile, advanced chips are becoming vital for companies that make computers and other electronic devices because upgraded products are brought to market with increasing rapidity.

European chip investment in 1993 was estimated at about \$1.5 billion, rising to just under \$2 billion this year. That compares with about \$4 billion in Japan last year, \$5 billion in the United States and more than \$3 billion in the Asia/Pacific region.

Meanwhile, Dataquest forecast that much of the growth in the world would come from the Asian market, which was forecast to use \$50 billion of chips in 2000, reflecting demand for all kinds of electronics devices in China, followed by Taiwan and Korea. It also said semiconductors would make up about 20 percent of electronics products.

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## Rail System In Germany Posts a Loss

*Kayoko Rudder*

**BONN** — The recently merged East and West German railroads posted a deficit Thursday of 15.6 billion Deutsche marks (\$9 billion) for 1993.

Heinz Dür, chief executive, said Deutsche Bahn AG hoped to reduce the deficit in 1994 by streamlining operations, investing in infrastructure for its high-speed train and attracting more customers.

He said the merged company planned to reduce staff from 365,000 to about 312,000 by the end of the year. In 1993, the two railroads' largest expenditure was for personnel costs, at 36.3 billion DM, he said.

Deutsche Bahn "started with full power," Mr. Dür said, after the two heavily indebted state-owned railroads were merged Jan. 1.

In the first four months of the year, sales were up slightly from a year earlier at 7.72 billion DM. Mr. Dür said that for the whole year, the company expected sales to reach 23 billion DM.

The merged railroad intends to invest 14 billion DM this year, including 10 billion DM in infrastructure, financed through interest-free loans and federal subsidies.

Mr. Dür said Deutsche Bahn wanted to lure customers "with attractive offers, comfortable trains, highest productivity in freight as well as passenger transport, and total market focus in the way employees think and work."

## Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
2400	3500	2400
2300	3400	2300
2200	3300	2200
2100	3200	2100
2000 O J F M A M 1993	3000 O J F M A M 1993	2000 O J F M A M 1993
2000 O J F M A M 1994	3000 O J F M A M 1994	2000 O J F M A M 1994
Exchange Index	Thursday	Pn.
	Close	%
Amsterdam AEX	404.74	+0.50
Brussels Stock Index	7,781.03	-7,538.15
Frankfurt DAX	2,130.25	-2,155.77
Frankfurt FAZ	816.00	-824.00
Helsinki HEX	1,818.43	-1,823.12
London Financial Times 30	2,392.30	-2,388.50
London FTSE 100	3,019.70	-3,020.70
Madrid General Index	331.29	-334.33
Milan MIB	1,197.00	-1,227.00
Paris CAC 40	2,081.89	-2,084.41
Stockholm Affairesvaerden	1,918.24	-1,921.18
Vienna Stock Index	452.01	-
Zurich SBS	954.98	-950.02
Sources: Reuters, AFP		International Herald Tribune

## Yeltsin Moves to Ease the Burden on Foreign Investment

By Steve Liesman  
*New York Times Service*

**MOSCOW** — President Boris N. Yeltsin, in an effort to revive Russia's economy, has signed a series of decrees that would cut taxes on foreign and Russian companies and eliminate some restrictions on exports.

Western business executives, weary of a series of recent tax increases and confusing laws, responded initially with cautious optimism but wondered whether the decrees would go far enough to alleviate a tax system that has become increasingly burdensome.

"Clearly it's a good solid message," said George Reese, managing partner of Ernst & Young in Moscow. "I see for the first time an attempt to link business interests to changes in the tax code."

But Mr. Reese said the decrees were "even more vague than I've normally seen." It was unclear, for example, he said, which decrees would come into force immediately and which must be enacted by the Duma, the lower chamber of Parliament.

Mr. Yeltsin, in one of six decrees issued Monday, ordered the government to reduce basic taxes on all businesses in Russia by between 10 percent and 20 percent. He cited the profit tax and value-added tax as among those that should be lowered to ease the burden on businesses as the nation moves to a market economy.

In another move intended to encourage Western investors, Mr. Yeltsin eliminated the national profit tax for two years for companies registered this year that have at

least 30 percent foreign ownership and more than \$10 million in startup capital.

Such companies would pay one-quarter of the usual profit tax in the third year and half in the fourth year. Taxes on profits set by regional governments, which range as high as 12 percent, were not affected by the decree.

The revenue lost from the tax breaks should be made up by an increase in Russian income taxes, according to Mr. Yeltsin's decree.

But Ruth Cook, a tax specialist with Price Waterhouse in Moscow, questioned the benefit of a reduction in the profits tax, saying most foreign ventures were unprofitable in their first year.

"They are promising a tax holiday for people least able to benefit from it," she said.

Oil industry executives are also waiting for a promised government decree that would cut in half the duty imposed on oil exports from foreign joint ventures, which many executives say has stifled investment in the country's oil sector.

On Tuesday, Economics Minister Alexander N. Shokhin said Mr. Yeltsin would issue a decree "within days" to reduce the tax to \$17.50 a ton from \$35.

Other decrees issued by Mr. Yeltsin, who chastised Prime Minister Viktor S. Chernomyrdin last week for moving too slowly to reform the economy, would clamp down on tax evaders and close down Russian enterprises that do not pay their bills.

Mr. Yeltsin's economic adviser, Alexander Livshits, said Wednesday that the decrees were the start of many 30 economic measures that will be signed this year as the Russian president grapples with the country's worsening recession.

The decrees were issued amid growing calls for action by business and political leaders, who expressed concern about statistics this month showing that industrial production had fallen more than 25 percent in the first four months of 1994. It was one of the sharpest drops since the Soviet Union broke up in 1991.

Western business executives said the decrees constituted welcome evidence that the government was using taxes to implement policy rather than just raise revenue.

"What that tells me is the government is listening," Mr. Reese said. "They are hearing the complaints of the business community and realize they have to get some of these things through the Duma."

Since the beginning of the year, foreigners have been hit by a series of tax increases that have led some to wonder about the wisdom of their Russian operations. They have complained that the current tax system makes almost any legal business venture unprofitable.

An undetermined number of Russian and foreign companies have avoided paying taxes, in part because the rates are so high. Mr. Reese said the new measures could help the government broaden the tax base and eventually reduce taxes further.

There was concern that a decree eliminating export quotas, a measure intended to bolster Russian trade, might also reduce foreign investment in the country's oil sector.

Like all Russian oil companies, foreign joint ventures producing oil have been given quotas that allow them access to the country's pipeline system, whose capacity is limited to about 2 million barrels a day.

Without quotas limiting exports, the foreign companies might have to line up to send oil or could lose their access to the pipeline.

### Ruble Continues Slide

The ruble slid to a record low of 1,901 to the dollar Thursday on the Moscow Interbank Currency Exchange, Reuters reported from Moscow.

Dealers said the ruble would fall further in coming days because prices were rising much more quickly in Russia than abroad. It started the year at about 1,250 to the dollar.

Dealers expect the ruble to weaken to more than 2,000 to the dollar by the end of next month.

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# Strong Yen Hits Big Electronics Firms' Profits

Agence France-Presse

TOKYO — Five Japanese electronics giants Thursday forecast higher global earnings after posting mixed performances for the year ended March 31. The strength of the yen, particularly against the dollar, contributed to general slides in export profits.

The biggest turnarounds were announced by the leading semiconductor maker, NEC Corp., and the computer maker Fujitsu Ltd., both of which returned to profit after steep losses in the previous year.

Hitachi Ltd. and Mitsubishi Electric Corp. had modest declines in group pretax earnings but projected recoveries for this year. Toshiba Corp. posted higher group earnings and said parent-company profit, which fell sharply, was expected to rebound.

NEC posted consolidated pretax earnings of 25.1 billion yen (\$240 million), reversing a pretax loss of 37.7 billion yen a year earlier. Sales edged up 1.8 percent, to 3.5 trillion yen, despite reduced revenue from

computers and industrial electronic systems.

"Although it is likely the Japanese economy will begin to recover in fiscal 1995, the severe operating environment may continue, owing to the further rise of the yen and the acceleration of structural change in the electronics market," a company spokesman said.

Fujitsu posted a profit of 44.1 billion yen, reversing a loss of 16.2 billion yen a year earlier. On a consolidated basis, however, figuring in the performances of all subsidiaries, its net loss widened 16 percent, to 37.7 billion yen mainly because of the cost of restructuring Amidai Corp., a computer-making subsidiary in the United States.

For the current year, pretax earnings are expected to nearly double, to 90 billion yen, with sales recovering to around 3.2 trillion yen, the company said.

Hitachi's earnings fell 3 percent from a year earlier, to 228 billion yen, as global sales declined 2 percent, to 7.4 trillion yen. For the current year, it forecasts improved earnings of 245 billion yen.

Hitachi said its consumer products division had an operating loss of 46 billion yen, 4 percent larger than in the previous year.

Toshiba's earnings grew 5 percent from a year earlier, to 90.2 billion yen, but sales rose less than 1 percent, to 4.6 trillion yen, depressed by poor performances in consumer products, information and communication systems, and electronic devices.

The company offered no forecast for pretax consolidated earnings in the current year.

Although memory devices, liquid crystal displays and personal computers for the U.S. market recorded healthy sales, domestic sales of distribution systems, color picture tubes and medical systems in overseas markets were low," Toshiba said.

Mitsubishi Electric's group earnings fell 10 percent from a year earlier, to 71.4 billion yen, while sales fell 3 percent, to 3.1 trillion yen.

For the current year, Mitsubishi forecast improved earnings of 74 billion yen on projected sales of 3.1 trillion yen.

"The yen's appreciation will continue, and capital investment by the private sector and building-related demand will remain inactive," Mitsubishi said.

## Siam Cement Pours It On

Agence France-Presse

BANGKOK — Thailand's biggest conglomerate, Siam Cement Co., said Thursday its first-quarter profit more than doubled from a year earlier.

Siam Cement and its subsidiaries posted profit of 1.44 billion baht (\$57 million) for the first three months of 1994, compared with 694 million baht in the first quarter of 1993. President Chumpol Na-Lamlieng said, as revenue rose 21 percent.

"Everything was up," the executive said. "Operating expenditures decreased due to lower interest rates, and the group also profited from foreign exchange rates."

The news sent the company's stock up 74 baht on the Stock Exchange of Thailand, to close at 1,054 baht.

About 200 million baht of the gain was due to decreased interest expenses and foreign-exchange gains, Mr. Chumpol said.

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## Cathay Seeks Ties to Mainland Airlines

Bloomberg Business News

HONG KONG — Cathay Pacific Airways is seeking alliances with China's airlines and is considering the possibility of taking equity stakes in them, the company's chairman, Peter Sutch, said.

"We would like to be closer to the mainland carriers, but that doesn't necessarily mean it has to be through shareholdings," Mr. Sutch said after the annual meeting of Swire Pacific, Mr. Sutch is also chairman of Swire, Cathay's parent company, which holds a 5.1 percent stake.

He said that in the past, Cathay had not seen the merits of entering into share-swap or equity

agreements with other carriers. But he said, "I think the situation is different with China, and therefore we will certainly have another look at it."

Mr. Sutch said Cathay's interests could be damaged if a major European or U.S. carrier established a close alliance with one of the Chinese airlines.

"I think it would be in our long-term interests if their relationships with American or European carriers were not unduly strong," he said.

Two major state-owned Chinese carriers, the Shanghai-based China Eastern Airlines and China Southern Airlines Group, based in Guangzhou, intend to list their shares in New

York, possibly before the end of the year. Mr. Sutch said that a number of airlines are talking to them.

"They do know that we wish to work closely with them," he said.

Analysts said that by establishing links with Chinese carriers, Cathay would improve its chances of retaining Hong Kong's dominant airline after the territory reverts to Chinese rule in 1997.

Cathay had blamed a 24 percent decline in 1993 after-tax profit to 2.29 billion Hong Kong dollars (US\$296 million) partly on stiff competition, particularly from U.S. airlines.

## Vietnam's Currency Vicissitudes Exporters and Bankers Debate Devaluing the Dong

By Kevin Murphy  
International Herald Tribune

HANOI — Buying a big bundle of Vietnam's currency, the dong, about three years ago would have been one of Asia's better foreign-exchange bets, even if the largest bet was worth only about 35 U.S. cents at the time.

From a low of about 14,000 to the U.S. dollar in 1991, the dong strengthened to a rate of 10,500 to the dollar throughout most of last year, in step with an economy recovering from its darkest days after the collapse of the Soviet Union.

According to some exporters and economists, however, it's now time to unload the dong.

Despite its recent slip to 10,935 to the dollar, investment capital is pouring into the country. Vietnamese are a bit less desirous of holding dollars, and the local banknotes are maintaining their overall strength.

Like other Asian economies whose currencies have felt upward pressure in recent years, Vietnam worries the rising dong will hurt its export competitiveness, one of the keys to its recent economic rebound.

"There is some level of overvalue," said Do Du Dinh, head of the developing economics study department at the Institute of World Economy in Hanoi. "To encourage exports we should devalue, not all of a sudden, but step by step. A rate of about 12,000 could help."

But the State Bank of Vietnam, which closely monitors the market-determined exchange rate, remains unconvinced.

"We will not depreciate our currency in the years to come," the bank's deputy governor, Le Van Chau, said recently at an investment conference in Hong Kong, where he denied that Vietnam was being pressed by its foreign

advisors to devalue the currency by as much as 30 percent.

In a Communist country still in the sensitive stages of *doi moi*, or economic "renovation," stability — or exchange rates among other things — is a higher priority than year-to-year export statistics, some analysts argue.

Dollars and dong circulate freely throughout Vietnam these days, with the relative value of the two determined by a host of factors including trade and investment flows, domestic credit creation and interest rates and public fiscal policies.

Given the immaturity of the reform process, tinkering with this delicate balance could harm the fragile public confidence in the local currency, some bankers and international economists say.

"We have learned plenty of lessons in this, and that is why we want stability overall."

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**NASDAQ**

Thursday's 4 p.m.

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Tables include the closing price and trades elsewhere.

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High Low Stock

Div Yld PE %B High Low Last Chg

12 Month

High Low Stock

Div Yld PE %B High Low Last Chg

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JULY 15



Ancient Egypt: Pride of royalty glimpsed between pillars at Luxor temple.

# EGYPT

Islamic Egypt:  
Looking up  
into the dome  
of the Amr ibn  
El-Aas Mosque, Cairo.

Industrial Egypt: A modern textile plant in action at Alexandria.

## THE WAY FORWARD: SUSTAINABLE DEVELOPMENT

In Cairo, the hotels are still comfortably full, despite there being fewer tourists around. The economy is showing remarkable resilience. Profits are harder to come by, but in general, the private sector is weathering the world recession. Private investment, though still modest at \$500 million a year, is rising. Investment in tourism projects, particularly away from the Nile valley, continues apace, and industry specialists report buoyant demand for construction materials and transport.

In short, the pace of development has not faltered. Indeed, if anything, it has quickened. Confirmation of this comes from Abdel-Shakour Shaalan, Middle East director of the International Monetary Fund, who predicts growth of 4 percent in the fiscal year ending June 1994. This compares with only 2 percent for the previous two years.

Agriculture continues to shine, the capital goods order book is growing and manufactured exports, particularly

textiles, are picking up. Another sign of the corner being turned is the success the government has had in curbing spending. Inflation is down to 10 percent, and the budget deficit for fiscal 1993-94 should be within the 2.9 percent of GDP ceiling stipulated by the IMF in the structural adjustment program. Further, because the authorities have been more efficient in raising taxes — a simplified personal income tax was introduced in January, and a generalized sales tax will be replaced by VAT at the beginning of next year — they are able to budget for a rise in spending for the coming fiscal year of 25 percent, to 84 billion Egyptian pounds (\$25 billion).

The business community has not fully taken into account these improvements. "There has been a lag in economic awareness of how things have improved," says Shafik Gabr, executive vice president of the American Chamber of Commerce in Egypt. He adds: "For the first time, the economy is worth investing in. You have the

framework, and if you add in the incentives, you have an attractive package. However, you still too often have a lack of precision and an inordinate amount of red tape."

Even the curtain of red tape is lifting, however. Although it can still take an inordinate amount of time to approve large investment projects, the situation has been transformed for smaller projects. The decision to approve investment projects of less than 5 million Egyptian pounds quickly has been so successful that the ceiling is being raised to 10 million Egyptian pounds.

This move is highly significant because the most daunting challenge facing the government is creating 500,000 new jobs a year, and these are most likely to be created by establishments of fewer than six people.

The liberalization of interest rates, tariffs and, more recently, the foreign-exchange system has also helped clear the bureaucratic undergrowth. The new foreign-exchange law before Parliament will abolish all remaining restrictions on repatriating export earnings.

There is a growing acceptance that the policy framework is now sound and secure. "At least we are going in the right direction," says Mohamed Ozalp, senior general manager of Misr International Bank. "I believe that when the economy gets going, it will go by itself. There is tremendous potential, provided the spark plugs fire. Structural reform has lagged, but it is starting to come about. It is very important to see the degree to which privatization will go forward and if it will succeed."

The slow progress of the privatization program has been the one negative factor in the government's record. It is vital that it succeed for a number of reasons. The \$16 billion in reserves amassed by the Central Bank is sustained by a 8.75 percent interest rate differential between the Egyptian pound and the dollar. These funds will have to find local investment outlets or the cost of servicing them will become crippling. The stock market needs a steady stream of privatizations to main-

tain the excellent performance it achieved during the past year and give it depth. After rising 63 percent in 1993, the Kidder Peabody Index has jumped a further 60 percent since the beginning of the year. The market is still thin; however, only about 30 stocks are being actively traded.

How the government proceeds with privatization after the final tranche of debt relief has been drawn down in June will be an indicator of the success of the economic reform program. This will remove the last vestiges of leverage the international community has over the implementation of policy.

Providing the government follows through with privatization (and the extra finances available from the state budget for social programs will help stiffen its resolve), the economic landscape should start opening out.

The regional peace Egypt has worked so doggedly for, now within reach with the implementation of limited Palestinian autonomy, should transform the investment climate.

The prospects for industrial investment in Egypt are now brightening. The French automaker Citroen, like Peugeot, General Motors and Suzuki,

is now assembling cars in Egypt. The buildup of tourism capacity reflects investor confidence in this sector, and some, like Tarek Heggy, chairman of Shell Companies in Egypt, believe tourism could be a \$20 billion industry. The Egypt-based Kuwaiti businessman Saad al-Mutawa thinks Egypt is a natural home for Arab investment and predicts it will become a prime destination for Arab capital in the coming decade.

Egypt's energy prospects are also improving, thanks to recent gas discoveries. Estimated reserves of 15-20 trillion cubic feet are enough to last for over 40 years at current consumption rates. Egypt could be exporting gas in 1997.

The glittering prize of sustainable growth would seem to be within reach, but Said al-Naggar, head of New Civic Forum, an independent economic think tank, sounds a note of caution on the need for political reform. "You cannot have sustainable development without democracy and human rights," he argues. "The world around has changed completely from what it was in the '60s and '70s."

Alan Mackie

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# EGYPT

## GROWING EXPORTS BRING TEXTILES BACK TO PROSPERITY

**E**gypt's textile industry, which pre-World War II fortunes were built, is making a belated comeback. Textile production – processing, spinning, weaving, knitting and garment manufacture – is growing at 6.5 percent a year and for the first time in decades heads the list of Egypt's export earnings, together with oil.

Textiles provided the backbone of the industrialization drive of the 1920s and 1930s. Today the industry, comprising 31 parastatal and two private-sector mills, is benefiting from the extensive rehabilitation undertaken in the 1980s, courtesy of the World Bank and USAID. Yet the industry remains a sleeping giant in some ways, finding it hard to kick the socialist habit of producer-led production sending cheap cloth and badly designed apparel to accumulate in government stores.

The industry's recent export successes tell a different

story. Textile exports to the United States have grown from zero to \$140 million in less than a decade. And last year, the jump in sales of men's shirts was so sharp – nearly six times to \$30 million – that U.S. shirtmakers have called for protective tariffs.

Behind the scenes, the private sector has been steadily consolidating its position. Spinning still remains a public sector preserve, but 30 percent of weaving and 60 percent of knitting is now in private hands, produced mostly from modern plants in the new industrial cities. While 70 percent of garment manufacturing is undertaken by a huge cottage industry of some 3,000 small to medium-sized firms.

The private sector is spearheading plans to penetrate nonconventional markets and raise textile exports, currently worth \$600 million a year (just over 40 percent of production) to \$1 billion by 1997.

Several factors explain the

private sector's success. In the first instance, it has concentrated on finding markets. Second, it has given priority to assembly, in many cases of imported materials, accessories and even cut fabric, if the quality of local production has not been up to scratch. World Trading Co., with about a third of the Egyptian garment market in the United States is typical in importing nearly all raw materials for assembly in Egypt. A third factor is the sector's adaptability. As the order books grow, private-sector companies have been leasing public-sector plants and in some instances supervising the existing labor force themselves.

Invariably, the critical element in the success of any company – public or private – is management. The three Alexandria-based textile and clothing businesses run by Ahmed Aboul Wafa provide an insight into the industry.

El Nasr Wool and Selected Textiles Co. (known as Stia) is a public-sector success story. In 1982, Mr. Aboul Wafa took over Stia, which manufactures worsted yarns and fabrics for men's wear and women's wear. Since then, the work force has been trimmed by a third to 6,000, productivity per worker raised by over 30 percent and profit margins increased. This rise in productivity has enabled the

company to pay workers 450 Egyptian pounds (\$133) a month, more than twice the average wage of 160–200 Egyptian pounds a month for garment workers.

Stia has traditionally imported some raw materials not available locally, such as Australian wool and certain synthetic fibers. Roughly 25 percent of production slated for 1994, will be worth 210–215 million Egyptian pounds, will be 3.6 million ready-made garments – knitwear, underwear and T-shirts. Roughly 30 percent of production, cloth and garments, is exported.

The second company in Mr. Aboul Wafa's stable is a maker of men's trousers, jackets and suits. Vestia Ready-Made Garments Co., a joint venture in which Stia

has a controlling interest and the French company Vesta Union and the Arab Investment Bank hold the remaining equity. Stia provides the fabrics and accessories, all of which are imported. Vestia exports about a third of its production to France (Pierre Cardin is a customer), Germany, Russia, Arab countries and Japan.

Perhaps the most interesting of the companies – and certainly Mr. Aboul Wafa's greatest challenge – is Misr El Amria Spinning and Weaving Co., one of Egypt's two private-sector textile groups. When Banque Misr first thought of building a modern textile complex in the late 1970s, it assumed that it would have access to European and other markets, but that was slow

to materialize. The result was huge overcapacity. Abdou Wafa began by leasing some of this spare capacity to U.S., Italian and Southeast Asian companies.

Now that OECD markets are beginning to open up, gearing up to exploit the opportunity is proving difficult. Amria began to feel the competition in 1992, when turnover marked time at 302 million Egyptian pounds and export sales actually fell 22 percent, to 101 million Egyptian pounds. Europe, the biggest export market, accounts for 75 percent of sales, the United States 20 percent and the rest of the world 5 percent.

The dilemma the company faces is that its most secure market, textiles, is also its most protected market. Most cloth sold locally goes

through the Government Subsidy Fund. A regular 50 million Egyptian pound order for fabrics from some of Europe's premier hotels takes up a large slice of the 7.5 percent of Egypt's European fabric export quota allocated to Amria (although it does export some cloth outside the quota).

Partly because of these disadvantages, Egypt has barely begun to tap the potential of the \$200 billion global textiles and garment trade. Egyptian textile companies need the protection of quotas to ease them into the world market," claims one industry expert. "They also need to concentrate on quality control and more aggressive marketing," he adds. Observers state that these are precisely the skills the private sector is introducing into the equation.

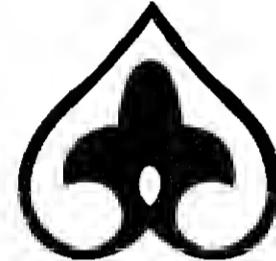
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Spinning in a giant Alexandria plant contributes to textile exports worth \$600 million a year.

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- Total Deposits reached L.E. 14.5 Billion.
- Total of Loans, Advances and Investments reached L.E. 10.3 Billion.
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## NEW SERVICES OPEN WAY TO PROFITABILITY FOR BANKS

**T**he banking and financial-services industry in Egypt is undergoing a cultural as well as a technological revolution as the state banks prepare to divest themselves of part of their joint venture shareholdings, capital markets get into their stride and automation begins to transform the very nature of retail banking.

At the same time, the industry is experiencing a shakeout as it enters the stage in the financial cycle after inflation is tamed, when interest rates fall – T-bill rates have come down from 21 percent in late 1991 to around 13 percent – and the deposits so assiduously collected become expensive to service.

The slowdown is reflected

in the way the Big Four state banks, National Bank of Egypt, Banque Misr, Banque du Caire and Bank of Alexandria, consolidated their operations in 1992–93. The biggest, NBE, actually shrank its balance sheet marginally to 43.8 billion Egyptian pounds (\$13 billion), although lending rose 20 percent, to 13 billion Egyptian pounds. Banque Misr raised its balance sheet 16 percent to 39.4 billion Egyptian pounds, and its loan portfolio rose 18 percent, to 11.0 billion Egyptian pounds.

The smallest of the Big Four, Bank of Alexandria, put in a robust performance, increasing its balance sheet by 16 percent to 14.3 billion Egyptian pounds, and its loan portfolio 17 percent, to 5.8 billion. Bank of Alexandria was the most profitable on an asset utilization basis, but NBE produced the best profit improvement: an 8 percent rise, to 70 million Egyptian pounds.

Competition has intensified. "Fees and commissions have been deregulated and

margins have come down significantly, to the benefit of the customer," says Mohamed Ozalp, senior general manager of Misr International Bank (MIBank). Because lower interest rates are making deposit-taking a far less attractive proposition and the number of borrowing opportunities is still limited, banks are now trying to develop new services to offset traditional revenues.

"Historically, they relied on lending. Now lending is less attractive, and they are looking at expanding their letter of credit, cash management, consulting and credit card businesses," says Mr. Ozalp.

The credit and hire purchase schemes of big stores are also being promoted by several banks in a bid to boost lending and stimulate consumer spending. The Bankers' Association of Egypt is backing a study on mortgage schemes. Housing loans have been virtually nonexistent because of the unreasonable collateral traditionally required.

At the same time, automation and the spread of credit cards are beginning to change the face of banking – at least in Cairo, where automated teller machines are appearing. NBE had such demand for its new international Visa card that it sold the 6,000 subscriptions anticipated for the first year within three months. The demand for automated services is insatiable.

For the time being, the focus is internal, but the Central Bank is studying the establishment of an automated national clearing system. Egypt finally became a member of SWIFT, the international payment system, in April and should be on-line this September.

The 30 or so joint-venture and investment banks and 22 foreign branches operating in Egypt have concentrated on developing services to attract and retain high-net-worth clientele. Some of the weaker ones have had to consolidate, reduce their liabilities and improve their loan portfolios to

meet new capital adequacy and credit ratio requirements brought in to conform with the Basel agreement.

A development likely to have a significant impact on their business and on the provision of financial services generally is the decision to allow foreign branches with a capital base of \$15 million or more to deal in Egyptian pounds. Citibank, American Express, Crédit Lyonnais and Arab Bank have already obtained licenses; Banque Paribas, Crédit Suisse and Bank of America are believed to have applications pending.

Banks are assisting the development of capital markets in a number of ways. Banque Paribas has guaranteed a 30 million Egyptian pound bond issue – the first to be launched in Egypt for 40 years – for Hoechst Orlent.

Egyptian banks are moving into the mutual fund business – NBE is launching a 100 million Egyptian pound open-end mutual fund, while Banque Misr has

plans for a 200 million Egyptian pound fund.

Such is the pressure to develop off-balance-sheet profit that the provision of investment services is proving popular. Commercial International Bank (CIB) has established a full-fledged merchant banking division to advise on fund and portfolio investment and asset liability management. Banks are also cashing in on the stock-market boom by offering margin finance. NBE is opening a commodity broking agency and forging links with insurance companies to sell life insurance, and its affiliate CIB is establishing a joint-venture insurance company.

Under the privatization scheme, the Big Four will reduce their holdings in some 12 joint-venture banks to minority stakes by the end of 1995. NBE has already successfully divested a tranche of shares in CIB and plans to float a second tranche during 1995, which will leave it with a 35 percent stake in CIB. A.M.

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# EGYPT

## PREPARING FOR AN INVESTMENT BOOM

**F**rom the top of the World Trade Center, Cairo looks ordered and manageable. Magda el Monasterly-Dabbous, in her office suite on the 19th floor, must hope that it remains that way, for she has just launched MegaVest International, Egypt's first full-fledged international brokerage firm.

Ms. Monasterly, an Egyptian who trained and has spent her working life in the United States, has long dreamed of returning to Egypt to build a business for her grandchild. In 1992, the passing of the law on capital markets provided the right opportunity.

Resolved to be in on the ground floor of the development of the new Cairo Stock Exchange, she decided that if she came back from the United States she would create something other than just another brokerage. "Anyone

can be a broker," she says, "but to provide the economics, finance, psychology and the technology for predicting what is going to happen, to see and understand the effects on the price of stocks, is a different matter."

She came with only one portfolio executive on her

### Real-estate prices remain high

staff, and since opening in December has been recruiting young Egyptians with MBAs in finance and accounting. She currently has a staff of 22, all but two of them working on the international market.

For the time being, she is concentrating on getting plugged into international networks. On the rooftop, a satellite dish links the Arab-American Group for International Investments

(MegaVest's full name) to all the major financial centers of the world and provides the only S&P Comstock service in Egypt. Through association with Dean Witter Reynolds Inc., the firm has access to financial markets in the United States and Canada. Similar associations are planned with Mees Pierson Investment Finance in London and a Japanese house in Tokyo. MegaVest plans to open branches in Arab countries and eventually in New York.

Coming at the investment scene from a very different angle is the Kuwaiti group Abdulaziz Ali Mutawa (AAA). While Ms. Monasterly is an expatriate Egyptian re-establishing her roots, the Mutawas are a Kuwaiti family with extensive interests in the Arab world, Europe and North America and a business in Egypt dating back to 1953.

In the traditional Kuwaiti

sensing the outcome of earlier efforts, developing ways of removing hurdles, setting standards for the public enterprises' performance and developing formulas to

### Strong response to revised offer

speed up the implementation of the process and make it more effective.

As a result of the new approach, the Holding Company for Housing, Tourism and Cinema, which had few or no replies to its offers it made last year to sell assets, received a stronger-than-expected response to its latest offers for principal investors to take controlling stakes and direct management in

three of its affiliated companies. A total of 22 firms expressed interest within two weeks after advertising appeared locally and overseas for the privatization of Al-Misr Beverages Co., the Egyptian Vineyards Co. and Misr Duty Free Shops Co.

The list of interested firms includes major foreign corporations such as Sumitomo of Japan and Philip Morris of the United States, in addition to local and foreign institutional and private investors, including groups of Arab investors.

Referring to the early results of the process and pointing out that the deadline for potential investors extends through July, the chairman of the Holding Company for Housing, Tourism and Cinema, Hamed Fahmy, says, "This

time the response is much better, but we realize that there is more effort to be made."

Some of the sale offers for the first batch of 20 companies and assets did not attract buyers, and in other cases potential buyers dropped out before deals were made, but three major sales were concluded successfully and a fourth is in the pipeline.

The first was the sale of El-Nasr Bottling Co., which has 14 plants nationwide, to Coca-Cola International and a group of Arab investors for \$325 million Egyptian pounds (\$94 million). The buyers, who reached an agreement last December and signed it last month, also committed themselves to maintaining the labor force for three

years, investing 500 million Egyptian pounds to expand and upgrade the facilities, offering 10 percent of the shares to an employee share-ownership scheme and divesting 30 percent of the company's shares through the capital market.

The two other sales include that of the Egyptian Bottling Co. to the franchise owner Pepsi Cola International and a group of investors for 157 million Egyptian pounds and El-Nasr Boilers Co. to a group led by the Canadian firms Babcock and Wilcox for 55 million Egyptian pounds. Negotiations on the sale of a controlling stake in the Cairo Sheraton hotel to a group of Arab investors are close to being successfully concluded.

Olfat El-Tahamy



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## A BUSINESSMAN'S ANSWER TO EGYPT'S PROBLEMS

Tarek Heggy, the chairman of Shell companies in Egypt and a leading businessman and economist, does not mince his words. "Egypt is at a crossroads," he says. But he is not about to cut and run. Appointed at the tender age of 37 to run Shell's operations in Egypt, he could have settled anywhere. His commitment to Egypt is only matched by his enthusiasm for Shell as a paragon of the management style he would like to see introduced in his country.

Mr. Heggy believes Egypt's potential is gravely underestimated by the West. "Egypt should not be considered as a Third World country," he says. "It started like Japan and should by today be at the same level as South Korea at least."

Mr. Heggy belongs to a group of Egyptians who believe they can make Egypt like Japan in two decades, and he has clear ideas as to how this transformation might be achieved.

Egypt used to have a vibrant middle class, thanks to the foresight of Mohammed Ali, who in 1826 began to send groups of young Egyptians to France for training at five-year intervals. "Mohammed Ali had a great admiration for all things French," says Mr. Heggy. "He wanted Egyptians to look toward France, and Egyptians were happy to follow him. This put Egypt on a different plane from other Arab countries."

By the turn of the century, the sons of these foreign-educated Egyptians were aged 40 to 45 and were laying the foundations of a secular middle class and democracy. This might be described as Egypt's modern golden age.

The British occupation stifled the democratic experiment, however, and with it the middle class. Later, Nasser's Socialist revolution came close to destroying it. The formative experience in Egypt's recent history was the 1967 defeat by Israel, which crushed national morale. The nation has been trying to rebuild it ever since.

"We will get to the core of the problem when Egyptians go back 40 years and analyze how we measured up education, agriculture and construction," says Mr. Heggy. "Mohammed Ali expanded the area under cultivation from 1 to 6 million acres in 40 years. In the same time span, the 6 million was reduced to 5 million acres. We not only eroded 1 million acres, but also built a lot of concrete rubbish without sewage systems, without infrastructure, which you cannot even connect to the electricity supply. To move on, we have to admit these great mistakes and accept that we created a system of mediocrity that did not allow talent to grow."

Mr. Heggy looks back to the 1920s as a model because at that time society successfully differentiated between religion and everyday life. "You can be a good Muslim and go to paradise if you wish, but this has nothing to do with building bridges or roads or making cars," he says. He points out that the political, eco-

nomic and social doctrines described today as the Islamic set of rules were all established over 100 years after the Hijrah, the start of the Islamic era. In fact, it was left to the individual to know how best to formulate the rules in harmony with Islam, a process the early Islamic philosopher Abu Hanifa described as "trying to extract practical judgement from the theoretical rules."

It is also a mistake to talk of one Islam, Mr. Heggy argues. Egypt's Islam is particular to its unique social and political history, and it is misleading to draw parallels between Islamic radicalism in Egypt and, say, Algeria.

Mr. Heggy believes there is a preliminary stage in reviving the country's fortunes: the establishment of a managerial infrastructure that can set the framework for development and provide incentives to people. "Young Egyptians lack a role model," he says. "They haven't seen competence. If you demonstrate good value, other people follow."

Opportunities need to be created to allow talented young Egyptians to compete in the international arena. Mr. Heggy himself has paved the way for 26 young Egyptians to win positions in Shell International. He hopes they will stay for a while, then come back and keep coming and going.

He adds: "Between technocrats and government, there needs to be a layer of government with vision, as in Korea and Singapore. It is not good enough to have one or two good ministers, you have to attract back a cadre of management that can begin the process of change. You have to have a root and branch reform of the education system, and you need democracy."

He complains that the planning cycle of the ruling class is very short-term. "When I talk to ministers about the future, their minds go to September this year – and I'm worried about Egypt in 2020," he says. Using the analogy of his own business, he says it is necessary to think in terms of prolonging oil reserves and adding to their lifespan. To do this, companies that have money and technology must be attracted to the country. "When Shell and Mobil move into a country you attract a cadre of second-rank companies," he says.

The investment process needs to be speeded up because the World Bank and the IMF estimate that Egypt needs \$50 billion Egyptian pounds (\$192 billion), or 40 percent of GDP, to create jobs up to the year 2000. Egypt cannot do this alone.

"You need industrial plant that creates added value last, to help technology transfer and job creation. These have to be multinationals," he says.

Mr. Heggy believes the business class has to be in charge of the economy before the end of 1995. IMF and World Bank deadlines fall before mid-1995, and he feels that people with vision, strategy and objectivity are needed to help meet them. Planning needs long-term cycles.

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. It was written by Alan Mackie, a London-based specialist in Middle East affairs who visited Egypt for the section, and Olfat El-Tahamy, a writer and business consultant based in Cairo.

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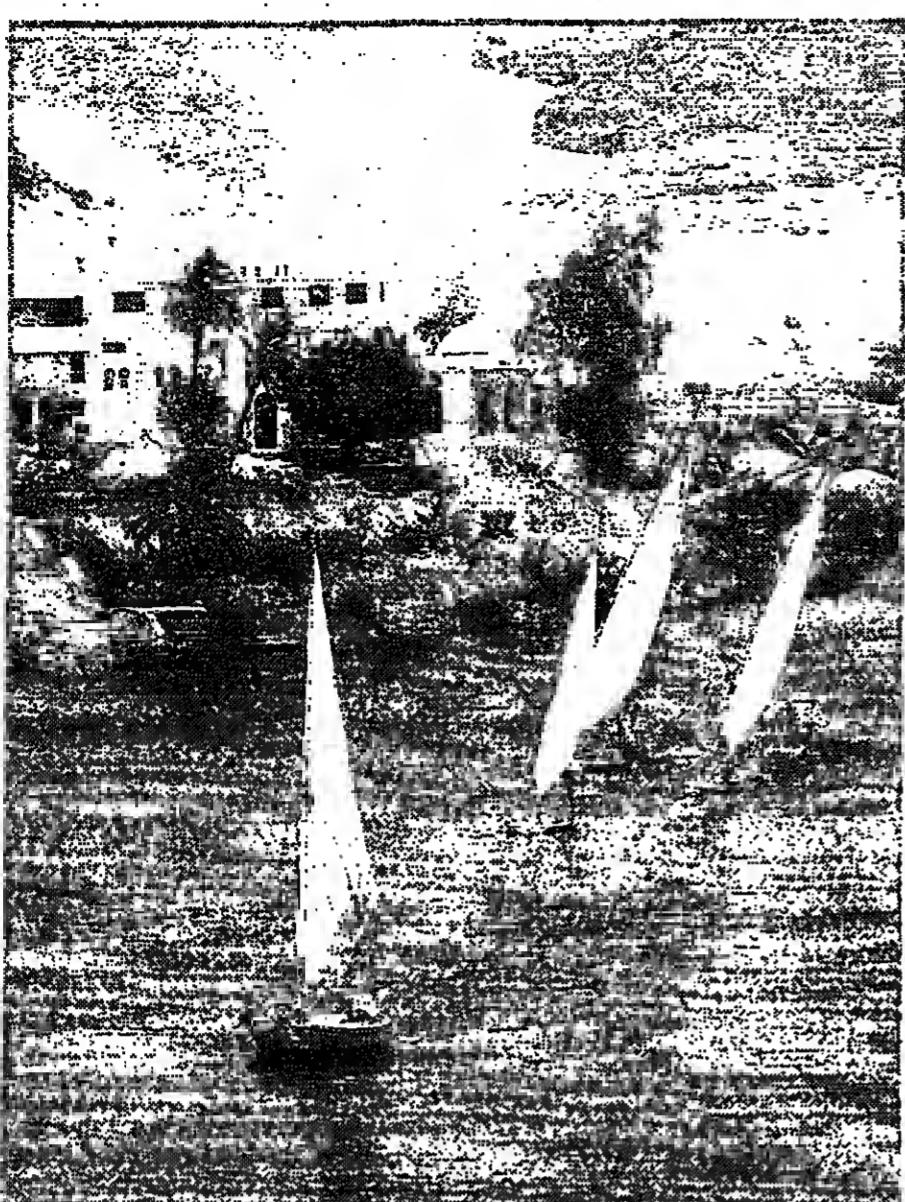
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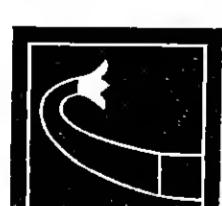
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# EGYPT

## TOURISM CLIMBS BACK TO RECORD 1992 LEVELS

**O**fficials and professionals in the tourism sector are relieved and encouraged as signs of a long-awaited recovery are becoming increasingly evident. Because of a halt in the terrorist incidents that hit tourism in the 18 months to the end of February and an ambitious government plan to boost the industry, tourism in Egypt is poised to resume its phenomenal growth and development.

The Minister of Tourism and Civil Aviation, Mamoud El-Beltagui, says, "This is the beginning of a trend: tourism picked up in March, and there are indicators that April was better. The situation has improved dramatically."

Pointing to the government's successful crackdown on terrorists and the emergence of a national consensus against intimidation and threats propagated by fundamentalist groups, he asserts that the direct threats to tourists were minimal, as they resulted in four deaths among 4.5 million tourists over an 18-month period.

"The tourists have reacted normally, but the media has overreacted and exaggerated

the facts," he says. "The negative and unfair image is behind us now."

Although the violent incidents began in the fall of 1992, that year remains the peak year for tourism in Egypt, with 3.2 million visitors who spent 20 million nights in Egypt, producing an income of \$2.1 billion. In 1992, the numbers fell by 22 percent, the nights by 32 percent and income by a much higher 39 percent, according to the latest report prepared by the Ministry of Tourism and Civil Aviation. It says that the reason behind the disproportionate fall in income is the lowering of rates charged by hotels in an effort to attract tourists.

Mr. El-Beltagui says that

he has received the support he had requested from the government to launch an intensive and diversified promotional and marketing effort, with the aim of helping tourism recover this year to its 1992 levels. The plan will target six main markets in Germany, Britain, the United States, Italy, France and Japan, and tap new markets such as South Africa and Southeast Asia.

The focus of the efforts is to bridge the gap between supply facilities accommo-

dating on average 4 million tourists annually) and demand (an average occupancy rate of only 42 percent last year). The goal set by the national development plan is for the number of tourists to reach \$4.3 million and the income from tourism \$3.5 million in 1996-97. Mr. El-Beltagui points out that investments in tourism, which has been the leading private- and foreign-investment sector over the last few years, have continued to grow despite the downturn. These investments have peaked at \$1.2 billion in new projects now being implemented.

These include a giant pro-

ject to develop the peninsula of Abu-Soma, 45 kilometers south of Hurghada on the Red Sea, at an investment cost of over \$30 million for the first phase.

Mr. El-Beltagui says that Egypt's potential for development remains largely unexploited and points out that of 1,080 kilometers of Red Sea coastline south of Hurghada, only the areas surrounding the resort cities of Hurghada and Safaga have so far been developed. Other areas slated for touristic development include the coastline between Taba and Sharm El-Sheikh in Sinai, El-Fayoun and Siwa oases in the Western Desert, the



## MAJOR ROLE IN PEACE TALKS BRINGS REWARD

With peace in the Middle East coming nearer, there are those who fret that the government will not move fast enough to see that Egypt gets its fair share of the peace dividend.

"My concern is that the world is changing faster than Egypt," says Shafik Gabr, executive vice president of the American Chamber of Commerce in Egypt. "Egypt played a giant role in the peace process. It needs to take its fair share of the economic dividend of peace."

The chamber has been active in ensuring that Egypt's interests do not go unnoticed. It was instrumental in an oversight that would have given Egyptian contractors from the U.S. materials and bidding for

tracts in Gaza.

It also intervened in the dispute over men's shirt imports and had the duty raised from 8.4 million to 13.2.

"What we achieved was a good first step," says Mr. Gabr.

## BUSINESS BRIEFS: ENHANCING ASSETS

The flow of crude oil through SUMED pipelines from Ain Sukhna on the Gulf of Suez to Sidi Kerir on the Mediterranean has been increased by the construction of an intermediate boosting station at Dahshour, west of Cairo. This brings the possible flow

up to the pipeline's maximum. Egypt has passed a law permitting the activities of SUMED to be extended from January 2001 for another 27 years.

Arab International Bank is set to move into its new headquarters in the World Trade Center within

the next three months. AIB will be occupying all but the fifth of the first six floors of the 19-story tower block it owns, using the ground floor for a new branch. The fifth floor will be rented to a group that can make use of the swimming pool, says AIB Chairman Mustafa Khalil.

All 30 shopping outlets have been rented - they attracted more than 100 applications.

To gain foreign exposure, Misr El Amria Spinning and Weaving has been

promoting its "Cut and Make" business, importing materials and accessories where necessary. It recently won an order from Levi Strauss to make jeans and shirts for the U.S. market.

AAA's real estate affiliate, Arab Investment Co., is laying the foundations of a luxury condominium in the shadow of the pyramids for Real Estates Development. The Ville Blanche compound will be a self-contained community of 40 duplex apartments built around a central recreation area.



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- Australian Dollars; AS - Austrian Schillings; BE - Belgian Francs; C\$ - Canadian Dollars; DM - Deutsche Marks; ECU - European Currency Unit; FF - French Francs; FL - Dutch Florins; ILS - Israeli Lira; LF - Luxembourg Francs; P-pence; Pts - Pesetas; SGD - Singapore Dollars; SF - Swiss Francs; Y - Yen; z - added + - Offer Prices; N.A. - Not Available; N.C. - Not Calculated; P - Price; S - Standard; SF - Stock Settlement; Ex-Dividend; - Ex-Rates; @ Other Price incl. 5% prime charge; -- Para exchange; --- Amsterdam exchange; \* Communication; o - New; S - Standardized; SF - Stock Settlement; <sup>a</sup> - authority; P - Middle of bid and offered price; E - estimated price; v - price calculated 2 days prior to publication; z - bid price.

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# **International** **Era** **of the** **Tribune**

# SPORTS

## Rockets Stop the Jazz in Foul-Filled Game 2, 104-99

By Anthony Cotton  
*Washington Post Service*

HOUSTON — Game 2 of the National Basketball Association's Western Conference finals began as a nasty, snarling cage match in which players shot air balls out of fear of being smacked and threatened to

### NBA PLAYOFFS

leave everyone — players and coaches from both teams, the fans at the Summit and perhaps even the NBA commissioner, David Stern, who was seated among them — unhappy.

But by evening's end, the only long faces belonged to the Utah Jazz, who were out-pointed by the Houston Rockets, 104-99, on the final scorecard Wednesday. That,

combined with a 100-88 defeat in Monday's series opener, put the Jazz in a 2-0 hole with Games 3 and 4 to be played Friday and Sunday in Salt Lake City.

There were a total of 51 fouls called in the brutal contest, with the ensuing foul trouble necessitating some unexpected heroics. The Rockets got a major lift from reserve guard Mario Elie, who scored 17 points, including eight straight during one fourth-quarter stretch and then hit a 3-pointer with 1:55 to play that gave Houston a 96-93 lead Utah was unable to overcome.

That was mainly because of Houston's center, Hakeem Olajuwon. Feted before the game by Stern as the league's most valuable player, Olajuwon scored 41 points, including 14 in the final 12 minutes.

The Jazz were led by Karl Malone's 32 points.

As expected, Utah adjusted its Game 1 strategy of double-teaming Olajuwon, sending forwards David Benoit and Malone as the second defender instead of guards John Stockton and Jeff Hornacek. The plan worked initially, with Olajuwon and the Rockets going scoreless in the first 2:30 and the Jazz taking a 6-0 lead.

But Olajuwon powered his way into the lane for a pair of baskets to get Houston on the scoreboard. It wasn't until Hornacek hit a free throw and Stockton a layup to give Utah an 11-4 lead four minutes into the quarter that the Rockets began to loosen up. The spree began with a 3-point basket by guard Kenny Smith, who hit six in Houston's 100-88 Game 1 victory.

Midway in the period, Houston showed why Utah's new strategy was still flawed. Guard Vernon Maxwell passed to Olajuwon, who passed to Smith as the double-team approached. Smith passed to forward Robert Horry, now the open Houston player, cutting to the basket. When Utah rotated its defense toward Horry, the second-year veteran passed to Otis Thorpe for a wide-open dunk.

The play, which epitomized the difference between this Houston team and its recent predecessors, was part of a 15-2 run that gave the Rockets a 19-13 edge with 3:42 remaining in the first quarter. Included in the spurt were another pair of 3-pointers, these by Maxwell.

But Utah battled back, not behind Malone or Stockton or Hornacek but backup

guard Jay Humphries. Humphries, who shot just 2-of-6 in Game 1, scored seven points after entering the game late in the first quarter, the Jazz going so far as moving their four other players to one side of the court and letting Humphries play one-on-one with the other.

When forward Tyrone Corbin hit a 3-pointer of his own with a second to play, the Jazz had a 22-21 lead and began the second quarter by outscoring the Rockets 14-9 to take a 36-30 lead with 6:26 left in the half.

Now it was Houston's turn to respond. Thorpe scored on a tip-in and Olajuwon added a pair of free throws and an offensive rebound to tie the game at 36.

The teams battled back and forth for the remainder of the half, with Houston taking a 48-46 lead into the locker room.



Vince Coleman of the Royals sliding safely into second base for a double as the Rangers' Jeff Frye got to him too late with the tag.

## Boggs, Sudden Slugger, Lifts Yankees

*The Associated Press*

It's time for somebody to come clean on this juiced ball business.

Wade Boggs added some fuel to the "juiced ball" theory that is obsessing baseball purists this season, hitting two home runs Wednesday

### AL ROUNDUP

night as the Yankees defeated the Toronto Blue Jays, 5-2, in New York.

Boggs, who did not bunt in the Yankees' first 35 games, has hit five home runs in his last five games. He hit a two-run homer in the first inning and a solo shot in the third off Pat Hentgen.

"It's kind of like the thing Paul O'Neill is going through now," Boggs said of his teammate, who had two hits to raise his average to a major league-leading .472. "You don't want to know what you're doing right. You just want to see how long it lasts."

What has made Boggs's sudden power surge even more improbable is that he had just missed three games with sore ribs.

Joe Carter drove in both Toronto runs, giving him a major league-leading 36 RBIs.

White Sox 12, Twins 1: Frank Thomas hit two homers and Alex Fernandez pitched four-hit ball over eight innings as the White Sox stopped Minnesota in Chicago for their fifth straight victory.

Thomas went 4-for-5, drove in five runs to match a career-high, and hit his 16th and 17th homers to help the White Sox win for the eighth time in nine games.

Orioles 6, Brewers 3: Jamie Moyer allowed six hits over eight innings as Baltimore handed the Brewers their 14th straight defeat.

The last AL team to lose 14 straight was the Seattle Mariners in 1992. Milwaukee, which last won on May 10, lost a three-game series at home for the first time since April 1988.

Tigers 9, Angels 7: In Detroit, Mickey Tettleton hit a three-run homer and John Doherty carried a one-hitter into the seventh inning as the Tigers held off the Angels.

Tettleton's homer keyed a four-run first inning, and Chris Gomez added three RBIs with a pair of doubles for the Tigers, who built 7-0 and 9-2 leads.

Royals 8, Rangers 3: In Kansas City, Kevin Appier struck out 13 in only 5½ innings — one away from a team record — to pace the Royals. Appier struck out every Texas starter and fanned Will Clark three times. He struck out the side in the second and fifth innings.

Mariners 1, Athletics 0: Randy Johnson pitched a four-hitter and Dan Wilson drove in the game's lone run for Seattle in Oakland.

In the second inning, A's starter Ron Darling walked Tino Martinez, who advanced to third on a Mike Blowers' single. Felix Fermin tapped a sacrifice bunt before Wilson's hopper to right scored Martinez.

Strawberry entered a drug rehabilitation clinic April 8.

## Strawberry Is Cut by Dodgers

*The Associated Press*

LOS ANGELES — Darryl Strawberry, who admitted to a substance abuse problem the day before the season started, has been cut by the Los Angeles Dodgers.

The outfielder, released from a treatment center earlier this month, was on the Dodgers' disabled list and being treated as an outpatient. The Dodgers said Wednesday that they had reached a monetary settlement with him, but gave no details. Strawberry, 32, was to have been paid \$3 million in 1994 and \$5 million in 1995 to finish out a five-year, \$21.25 million deal.

If he clears waivers, Strawberry would become an unrestricted free agent.

Fred Claire, the Dodgers' executive vice president, said he had met with Strawberry and called the move "more mutual than anything."

"We made a decision that from our standpoint and Darryl's standpoint, this was the proper move," he said.

Strawberry entered a drug rehabilitation clinic April 8.

raced home from first base, running over Piazza at the plate.

Earlier, DeShields cut the middle finger on his left hand when he slid home head first to score on a wild pitch. He received three stitches.

Karros, in an 0-for-13 slump, and Tim Wallach, in a 3-for-32, did not start for the Dodgers as manager Tommy Lasorda shuffled his lineup.

But Karros came up in the ninth after Los Angeles loaded the bases with one out on singles by Jose Offerman and pinch-hitter Mitch Webster and a walk. Karros's fly ball off of Dan Plesac was deep enough to center field for the winning run.

Giants 5, Padres 2: In San Diego, Barry Bonds hit his 13th home run and San Francisco stopped its season-worst six-game losing streak. San Francisco had won three in a row.

Rockies 3, Reds 2: Andre Galarraga's 16th home run, in the sixth inning, put Colorado ahead to stay against visiting Cincinnati, which lost its fifth straight game.

Galaraga connected off Jose Rijo, who failed in his third try for his 100th career victory.

Braves 6, Astros 5: Jeff Blauser doubled home the winning run with one out in the bottom of the ninth inning as the Braves beat the Astros.

Rafael Belliard singled with one out off Dave Veres. Deion Sanders reached base when shortstop Andujar Cedeno failed to touch second while trying to turn a double-play. Blauser doubled off John Tudor, hitting a drive over left fielder Luis Gonzalez.

Cards 10, Phillies 5: Ray Lankford homered, doubled twice and drove in three runs as St. Louis defeated visiting Philadelphia.

Expos 3, Marlins 1: Ken Hill earned his eighth triumph and Darren Fletcher homered and drove in two runs as Montreal won in Florida.

Hill matched Bob Tewksbury for most victories in the NL.

Mets 6, Pirates 3: In Pittsburgh, Bret Saberhagen pitched six strong innings before leaving with muscle spasms in his lower back, and New York sent the Pirates to their 10th loss in 12 games.

Saberhagen gave up five hits and left with the score tied at 1.



Mark Messier, surrounded by teammates, was all smiles after he scored the second of his three goals in the 4-2 victory.

## Messier Hat Trick Rescues Rangers

*The Associated Press*

EAST RUTHERFORD, New Jersey — Mark Messier guaranteed Game 6 and then delivered, in what may go down as one of the most spectacular clutch performances in National Hockey League history.

Messier scored three third-period goals, including the game-winner with 7:48 to play Wednesday, and the Rangers stayed alive.

### STANLEY CUP PLAYOFFS

by rallying from a two-goal deficit to beat the New Jersey Devils, 4-2, and force a seventh game in the Eastern Conference final.

On Tuesday, Messier had boasted, "We know we're going to go in there and win Game 6 and bring it back to the Garden."

Twenty hours later, he made sure that the Rangers would be around for Game 7 on Friday night at New York City's Madison Square Garden. The winner Friday will open the Stanley Cup final series on Tuesday against the Vancouver Canucks.

"He's the best clutch player," said Devils center Bernie Nicholls. "I know Gretz and Mario get a lot of credit," he said, referring to Wayne Gretzky and Mario Lemieux, "but when the chips are down and there's a big game to be won, there is nobody better."

Messier, who had been on five Stanley Cup championships with Edmonton, refused to characterize the game as one of his best and pointed to goalie Mike Richter as the one who kept New York around after it fell behind 2-0.

"No one man wins the hockey game, or any championship, or anything in a team sport," Messier said.

In making the prediction, Messier said all he was trying to do after Game 5 was restore the team's confidence.

For 38 minutes, it appeared that Game 7 would not be necessary. The Devils opened a 2-0 lead on goals by Scott Niedermayer and Claude Lemieux and thoroughly dominated play with Martin Brodeur stopping several good chances by New York.

But Messier and Alerei Kovalev refused to let New York die. Kovalev got the Rangers going late in the second period with a goal and Messier tied it early in the third.

After Brodeur had stopped several good scoring chances, Messier came through with the team skating 4-on-4. Brian Leetch hit Kovalev with a cross-ice pass and the Russian's shot bounced off Brodeur to the ice, where Messier bunged it into the net with Nichols draped all over him. Then, with New Jersey on a power play, Messier added an empty-net goal with 1:45 to play.

### DENNIS THE MENACE

#### PEANUTS



#### CALVIN AND HOBBES



#### WIZARD OF ID



#### THE FAR SIDE



#### BLONDIE



### JUMBLE

By Harry Karpis and Mike Argersinger

Illustrations by Tom Kaczynski. © 1994 Jumble. All rights reserved. Reprinted by arrangement with HarperCollins Publishers Inc.

NEFTO

ZIFER

MOVULE

TUSHIA

ANSWER:  IN THE

Answer:  WAGON  ENCL. RATTY  CATCHY

Yesterday's Jumble answer:  IN THE   CHANCE

ANSWER:  IN THE



## OBSERVER

## Life in Theme World

By Russell Baker

**WASHINGTON —** Ours is a theme family. We put it in years ago after Disney first demonstrated the glory of the theme park. "America is going theme in a big way," the salesman said, showing mock-ups of the wife and children being offered at amazingly low prices.

Theme things were the new frontier of entertainment, and what was America all about, if not entertainment? Although I had been brought up in a real family and enjoyed it now and then, often it really hadn't been that much fun. In fact it has been a bit bureaucratized, as theme therapists like to say when told you have been inconvenienced by having to cope with flesh-and-blood parents.

I wanted a fun family. I wanted a family of which masters of theme ceremonies could say, "That's entertainment!"

Well, I'd always been a gadget guy. You know: first on the block with color TV, first to buy a computer. So the idea of having this wired dummy family became irresistible after the salesmen dispelled my worries about maintenance costs.

And how right he was. Three months after they delivered the wife she started malfunctioning regularly while cooking dinner. Her first breakdown occurred when I came in from our theme backyard where I had been watching the children play "Mow the Plastic" and found her frying pork chops.

When I objected that fried pork chops would thicken the fat deposits on my arterial tubing, she said: "Tough buns, Buster! The kids and I don't have arterial tubing. We have silicon chips, and we happen to like fried pork chops."

With this she struck me violently on top of the head with the frying pan. Other small incidents left no doubt I'd bought a lemon, but before I could complain her manufacturer announced a recall and did a complete rebuilding job free of charge.

That was several years ago, and she's been fine since. You can imagine the fortune doctors would have made on her if she hadn't been a theme wife.

For a very reasonable price I

bought a service contract on her and the kids covering the costs of routine maintenance twice a year. I run them all into the shop in the morning and pick them up after work the same day, good as new.

Afterward, to celebrate, we all go to a theme mall and buy T-shirts celebrating the mall's theme. You can see why I am furious about this socialized-medicine plan before Congress.

Why should a man who had the foresight to build a theme family be taxed to pay the medical bills for people who didn't? All I ask is the right to be entertained in the theme environment of my choice without being taxed simply because a lot of people are too backward to build theme families.

Fortunately, many persons are seeing the light. For instance, AMTX, formerly called Amtrack, the same worldwide giant that was called Amalgamated Themes Inc., before it fell into the clutches of the name-changers, wants to turn our entire town into a theme town.

Moreover, our town loves the idea, even though it will mean replacing a lot of nice old houses with new theme houses and filling them with theme families fresh from the factory.

The superfat chips that operate these new theme people produce amazingly human characteristics. So human, in fact, that they make my wife and kids look as fake as that talking Abe Lincoln they had at the old California Disneyland.

An AMTX agent told me a few weeks ago I ought to scrap them. Since the company thinks they will spoil the up-to-date theme look of the place, he offered to provide a new family at the wholesale price.

I was delighted, of course, until yesterday when he showed me the photos of my new family fresh off the production line. "Who is that strange new man?" I asked. Regrettably, he said, flesh and blood were inconsistent with company plans for the new theme town.

Never mind. They are giving me a job greeting visitors. I will also be the one behind the human-being mask who gets chased out of town four times a day by plainclothes theme police. When you visit, be sure to say hello.

New York Times Service

## WEATHER

**Europe**

Forecast for Saturday through Monday, as provided by Accu-Weather.

**North America**

Sunny, warmer weather will continue across most of the continent, including Philadelphia, New York City and Boston, this holiday weekend. Hot, dry weather will return to the Midwest, including the Great Lakes, and the Midwest, including Indianapolis Sunday for the Indy 500. Thunderstorms will be scattered across the western Mediterranean Sea.

**Middle East**

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